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DUN'S REVIEW

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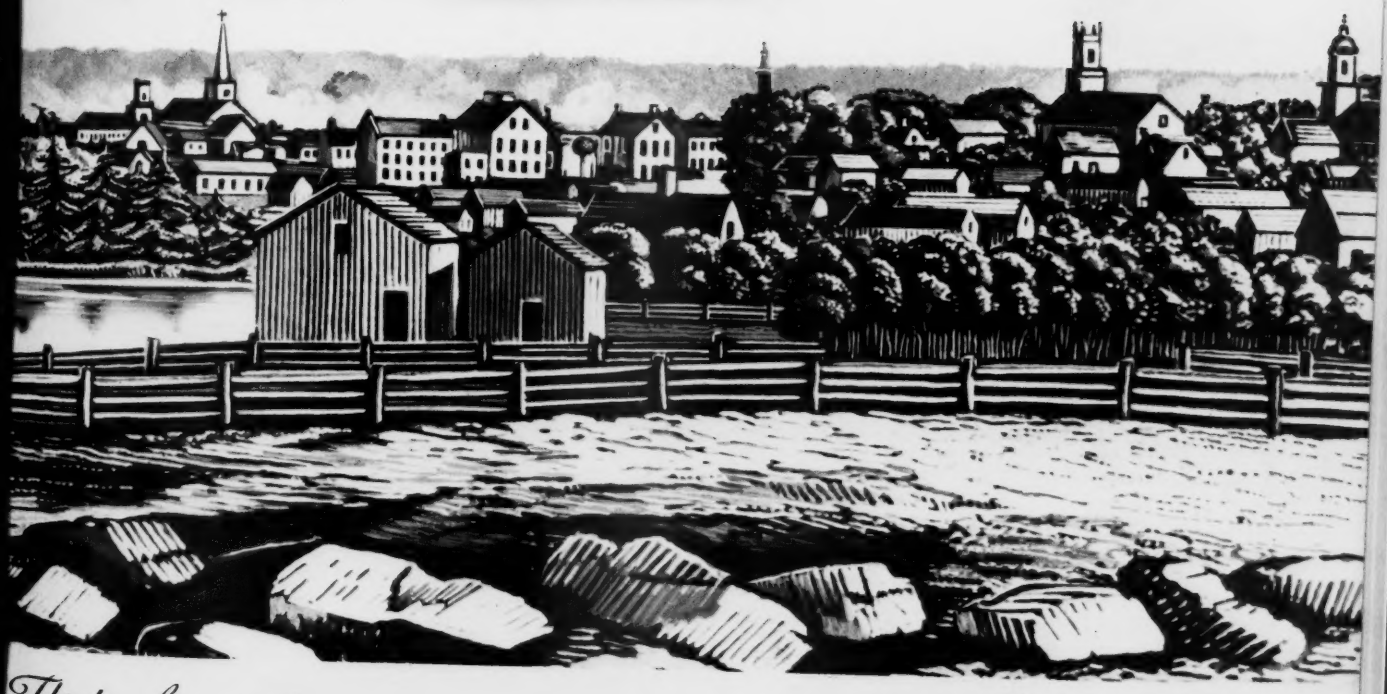
LIV of a series of Century old cities - Akron, O.



Thirty five cents

July 1941

This Month's Cover

AKRON, OHIO

Located in the northeast quarter of Ohio on the Little Cuyahoga River, Akron takes its name from a Greek word meaning "high place." Through the city passes an old Indian Portage Trail, once the western boundary of the United States. Founded in 1825, Akron was an incorporated village in 1836, county seat in 1842, a city in 1865. . . . The illustration on this month's cover of "Dun's Review" was drawn from the west side of Akron in 1846 by Henry Howe, an early settler. The old Ohio Canal appears in the foreground. The picture is reproduced through courtesy of "The Akron Beacon Journal." . . . Two major events affected Akron's development. The first was its position at junction of the Ohio and Erie and the Pennsylvania and Ohio Canals. The second was establishment in Akron of a small factory to manufacture rubber products. From this plant of Dr. B. F. Goodrich in 1869 the city's giant rubber industry stretched, the greatest expansion coming after 1910. Earlier, however, the most important production was in rolled oats, matches, and sewer pipe. . . . Today Akron has a population of 244,791, fifth in Ohio and thirty-eighth in the country. It is Ohio's third largest manufacturing city; 262 establishments turn out $279,302,236 worth of goods. Akron is the State's fifth largest wholesaling center, having 337 establishments which handle a $92,766,000 trade. In retailing and in service establishments also it is fifth; 3,130 retailers ring up $108,487,000 and 1,643 service agencies collect $8,176,000. In addition to rubber products it is noted for the dirigible, the International Soap Box Derby, and a vast fishing tackle factory.

LOOKING ACROSS THE HUDSON TO NEW JERSEY—PHOTOGRAPH BY LAWRENCE D. THORNTON

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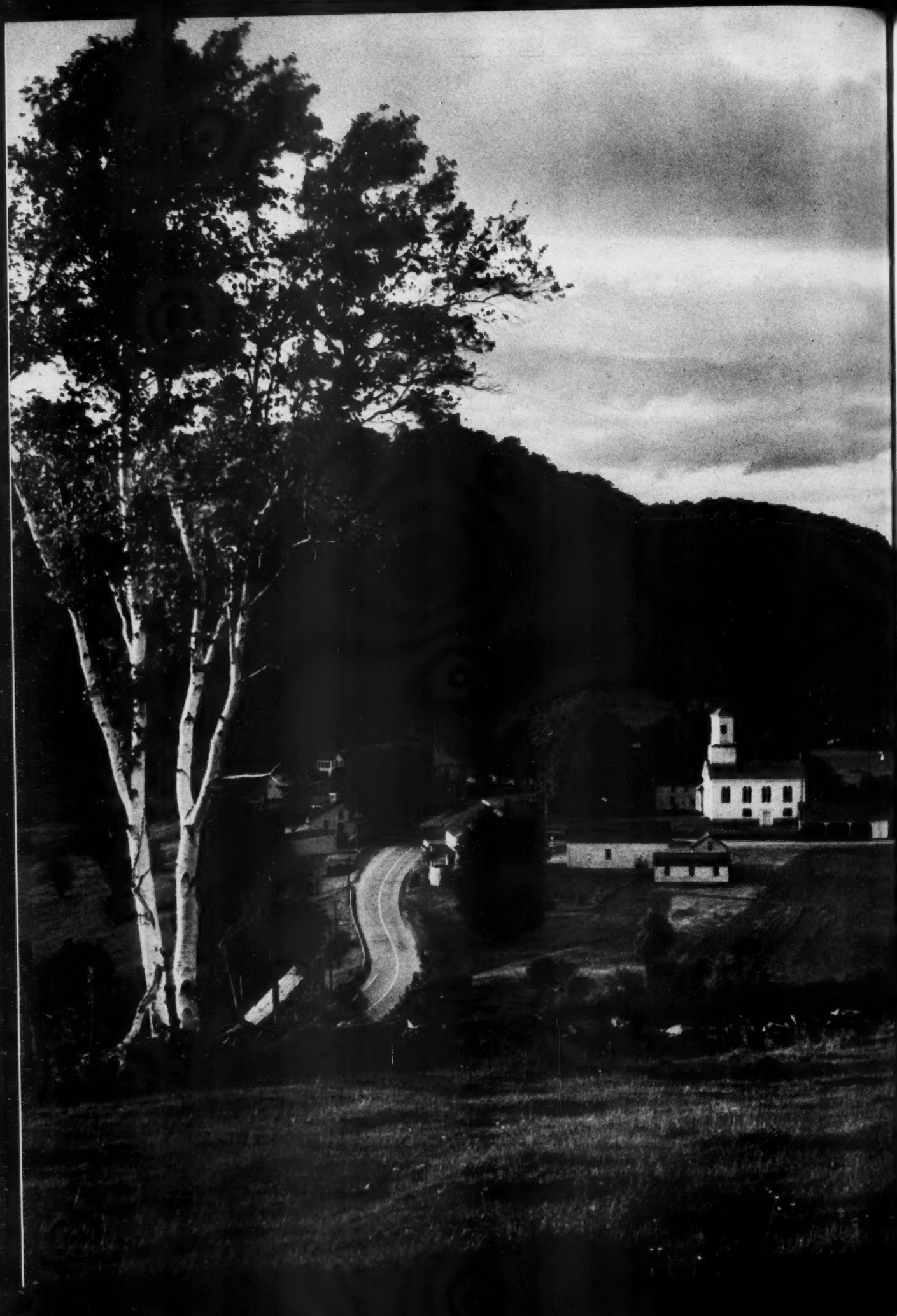
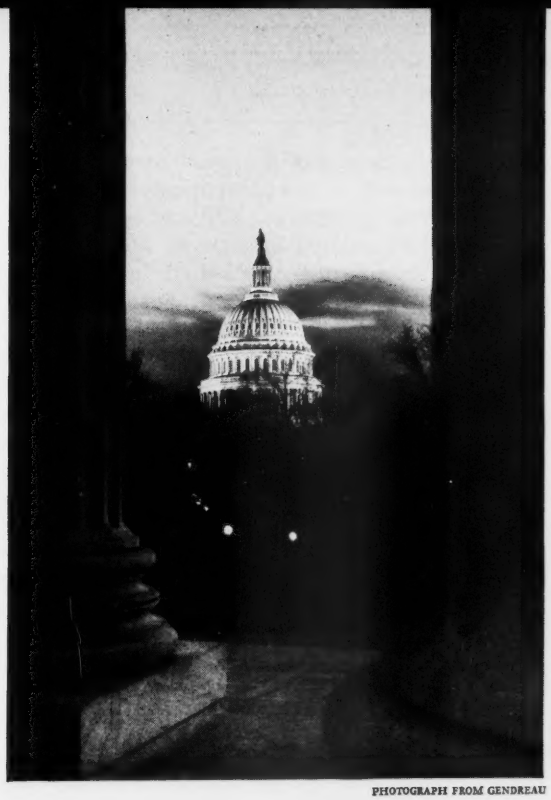
Information about subscription rates on page 49. . . . Second cover photograph courtesy Akron Chamber of Commerce. . . . Frontispiece by Ewing Galloway. . . . Printed in U. S. A.





PHOTOGRAPH FROM GENDREAU

FINDING MEN *for* DEFENSE JOBS

How the United States Employment Service is Meeting Today's Needs

COLLIS STOCKING

Chief, Research and Statistics Division
Bureau of Employment Security, Social Security Board

As it becomes difficult to find workers with specialized skills, the services of the United States Employment Service have become increasingly useful to business. What it is, how it goes about locating the men that are needed, and how it may be of value to the nation's defense economy are told here. This article is one in a series on subjects of unusual importance to business. It does not necessarily reflect the official views of the Social Security Board.

THE defense program as it moves into a second year finds more people employed in private industry than ever before in our history. In certain occupations the supply of skilled workers needed for aircraft manufacturing, shipbuilding, and machine tool production is running short, and in some even the supply of semi-skilled workers has become exhausted. In most instances unskilled workers are still to be found, but they cannot be used in the manufacture of planes, ships, tanks, guns and equipment, except with the guidance of engineers, supervisors, and skilled craftsmen. A quest for the latter, nation-wide in its scope, is now being vigorously pursued by the United States Employment Service, which has geared itself for a labor recruitment drive such as never before undertaken.

The recent experiences of European countries in recruiting and training workers, and the experience of this country during the last war have been carefully analyzed. Safeguards are being established against repeating the mistakes made during that emergency, when a serious loss of labor resources resulted from restless migration and inordinate labor turnover.

Undesirable labor recruitment practices in 1918 included the reckless use of labor agents and wholesale labor pirating. In one case an agent shipped a train load of workers into a com-

munity, collected a fat fee from the employer and shipped them out again the next night. In some instances the production manager did not know when the whistle blew at night whether he would have enough workers to continue operations the next day. The confusion in recruiting labor became so great that one employer visited the congregating place of workers off duty and inadvertently hired at higher wages a number of machinists from his own payroll. Finally such an impasse was reached that the President was obliged to issue an executive order prohibiting employers of 100 workers or more from hiring common laborers except through the public employment service.

Origin

A need for some Federal agency to bring the worker and the job together more effectively had been recognized as early as 1907. In that year the Division of Information of the Immigration Service of the Department of Labor was authorized to furnish immigrants with information on employment opportunities, in order to avoid congestion in the chief ports of entry. In 1913 the work of the Division was reoriented to serve, in addition to newly arrived immigrants, all unemployed workers.

Five years later, after the country was confronted with a labor shortage following our entry into the War, the Information Division was reconstituted as the United States Employment Service, to establish labor exchanges and co-ordinate the activities of the employment offices previously established by some States and municipalities. After the War, for all practical purposes, the United States Employment Service passed out of existence. Some of the State and municipal exchanges continued, but nothing resembling a national system again appeared until 1933, when the United States Employment Service was re-established on a permanent basis under the Wagner-Peyser Act. The Act provided for a network of local employment offices to be administered by the States and financed by the States and the Federal Government on a 50-50 matching basis.

Within three months after the Act was passed, the Employment Service had established an operating organization providing public employment facilities in practically every important community in the country. At the present time the service consists of a nation-wide system of 1,500 full-time employment offices, in addition to more than 3,000 part-time offices, operated free of charge by the States under the general supervision of the Federal Government.

In its first year the Service registered over 12,500,000 persons, including the 4,500,000 placed on the Civil Works Administration rolls, in addition to recruiting workers at prevailing wages for the Public Works Administration projects. During the next few years the Service continued to refer workers to both relief and non-relief public works projects, and at the same time to extend its activities into the field of private employment until private placements constituted the major part of its business.

In 1938 the Employment Service accepted still another substantial responsibility. In that year it undertook to register all unemployment compensation claimants. The additional cost involved in this program was borne by the Federal Government, which was already obligated to pay the entire administrative cost of the State unemployment compensation systems.

As Federal financing increased, the matching funds of the States under the Wagner-Peyser Act became relatively unimportant. In the fiscal year 1941, for example, the States supplied $3,000,000, compared with a little over $66,000,000 appropriated by Congress for the administration of the unemployment compensation and employment service systems. Roughly half of the Federal appropriation was for the Employment Service. There is no longer a separate accounting of funds, since under the President's Reorganization Order No. 1 in 1939 the unemployment compensation system and the United States Employment Service were integrated in the Bureau of Employment Security of the Social Security Board.

Benefit Payments

The initiation of benefit payments in 1938, a period of widespread and increasing unemployment, constituted a major problem. In many instances special procedures were necessary to register the stream of unemployed workers that flowed into the employment offices, and several months elapsed before administration was back on an even keel. By that time the Service was in a better condition than ever before. It was better equipped and financed, and because of the registration of benefit claimants, its roster of job seekers was infinitely enriched. During the first year of benefit payments, when only 23 States paid benefits throughout the twelve months, approximately 8,-

PHOTOGRAPH FROM GENDREAU

For every job a name and definition, so the man who shaves a crankshaft smooth can be located and placed where needed, from Puget Sound to the Florida keys.

000,000 workers who had never before utilized the facilities of the public employment office made application for work. Many of these were skilled craftsmen, professional and other white collar workers who had previously sought employment through their own efforts or awaited recall by their former employers. Some of them truly represented the cream of the labor market. More employers, as a result, were encouraged to join those already relying on the public employment offices to fill their labor needs.

PHOTOGRAPH FROM SOCIAL SECURITY BOARD

Drive through the dusty streets of Mission, Tex.—population 6,000—and of an hundred score other towns of similar size; somewhere along the way project the shingles that say "U. S. Employment Service," a visible sign of Uncle Sam's efforts to help his neighbors find work which will be suitable for their individual skills and valuable to defense.

At the present time, most of the unemployed workers in the United States can be reached by employers through the Employment Service. When an employer places an order for a worker, trained personnel sift applicants and select for referral the worker best qualified for the position to be filled. Although the employer makes the final selection, he is saved the time and expense of interviewing a large number of individuals, many of whom may be in no way qualified for the job.

Insofar as the Employment Service acts as a clearing house for job opportunities, its use means quite as much to the worker as it does to the employer. The job seeker is spared the trouble of going from firm to firm to fill out application blanks and of seeking interviews, or of marching from plant to plant and standing in line for hours to see if his service is desired. The worker fills out one application for all employers using the Service and is called when an order requiring his particular skill is placed with the local employment office.

In its operations the Employment Service has developed many scientific personnel techniques and procedures. Suppose, for example, you were looking for an engineer to fill a key position in your plant. Remember, there are a score of different kinds of engineers, not including the apartment house janitor or the boiler tender who may regard himself as an engineer. Of course you might investigate and interview a number of applicants and even try out several on the job. But this is a clumsy and expensive approach to the problem. The Employment Service must have a better way, for it is not looking for one engineer, but for thousands of engineers, tool makers, die setters, machinists, milling machine operators, boring machine operators, template makers, loftsmen, helpers, and other workers. It, therefore, has to classify accurately millions of applicants according to their various capacities and aptitudes.

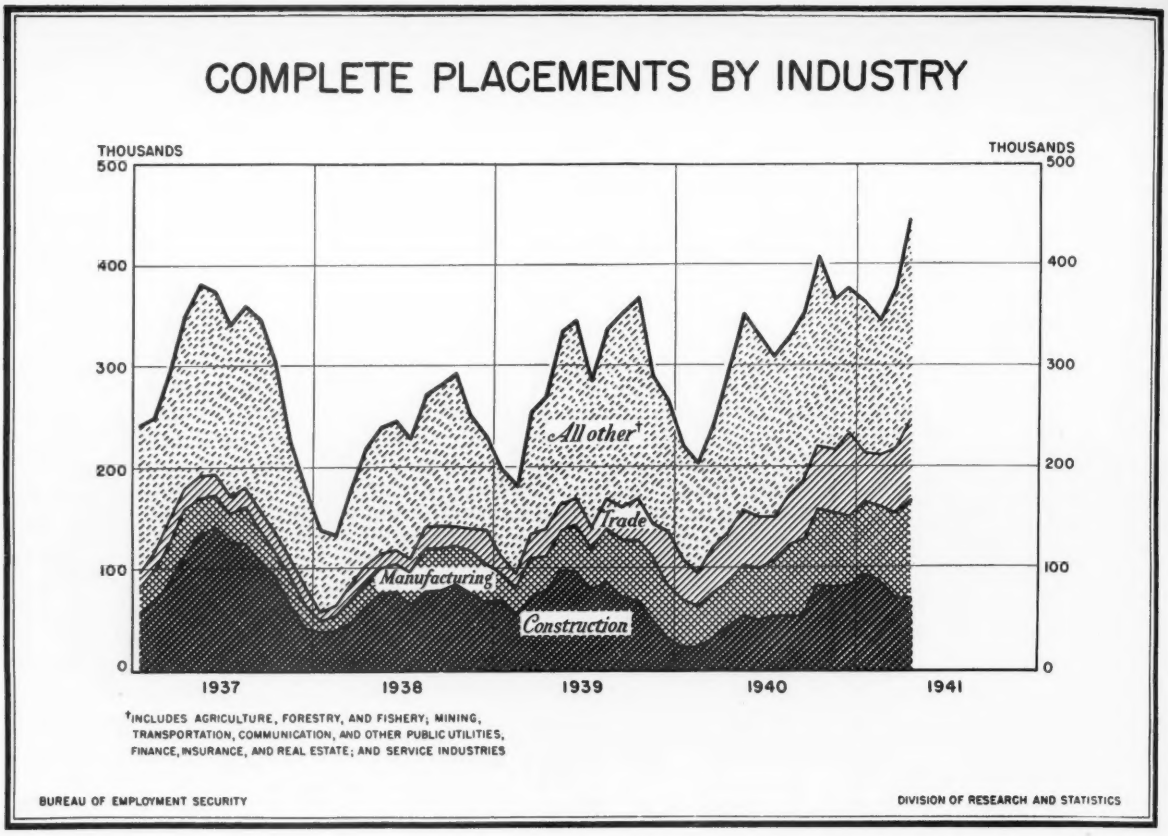
In developing a classification system the Service has spent years in analyzing jobs in different plants. All the constituent elements of each job have been studied and the interrelationship of these different elements noted. On the basis of these analyses, the Employment Service has prepared for its own use, and the use of other Governmental agencies and private industries, a *Dictionary of Occupational Titles and Definitions.* This dictionary contains over 18,000 occupations with definitions and descriptions. When colloquial or localized designations of the same jobs are taken into account, the number of occupations included total 27,000.

Interviewing

Employment office procedures require the recording of the personal characteristics, such as age, color, sex of each applicant, together with his work history and educational qualifications. Each job applicant is then classified occupationally by a skilled interviewer who has discussed and reviewed with him his training and experience. For many occupations oral trade tests and aptitude tests have been devised and may be given to the applicant in cases of doubt as to his qualifications.

Job analysis research has yielded more than mere job descriptions and tests. It has provided a source of basic data on production methods so that the Employment Service has been able to build up a body of information for advising employers on occupational patterns involved in different types of production.

This phase of job analysis assumed new importance in connection with the defense program. The large-scale production of armaments, munitions, tanks, and equipment, for all practical purposes, is new in this country. Many contractors have been obliged to blue-



Increased business activity has carried to over 400,000 a month the total job placements through the United States Employment Service.

print the job with only the most general notion of how many workers would be required and with still less understanding of the occupational distribution of the labor force. By analyzing currently the experience of many operators the Employment Service can render valuable assistance to new contractors by indicating the number and types of workers they will require for production. This is especially important when the Government seeks to make better use of the managerial ability and financial responsibility of establishments never before engaged in the manufacture of anything remotely related to the type of equipment required by the military force. Recently, for example, the Employment Service was able to indicate to a construction firm undertaking the operation of a new shell loading plant the number and types of workers needed at all stages of operations.

Another kind of assistance rendered to the employer by the Employment Service involves breaking down the job into its various component elements so that each part may be handled by a worker possessing a single skill. This so-called "engineering of the job" becomes an increasingly important consideration as the supply of workers with all-around skills approaches exhaustion. Some of the largest firms in the country have utilized this service and invariably a survey has resulted in a more efficient use of the working force.

In the Spring of 1940, on the eve of the defense program, an inventory was taken by the Employment Service of the characteristics of the 5,100,000 workers actively seeking employment through its local offices. This inventory showed the number of workers available in each occupation in each State and important industrial center in the country. By relating this information to the estimated need for workers, which could be ascertained by discussing labor requirements with each defense contractor, it was possible to anticipate labor shortages and initiate special recruiting procedures and vocational training to fill the gaps before they occurred. It was also possible to locate intelligently new plants and award additional contracts so as to avoid unnecessary difficulties in obtaining the required labor supply. The same information proved equally important for planning the defense housing program.

Under normal conditions an annual inventory of the active files of job applicants would be sufficient for administrative and planning purposes and particularly for determining the possibility of shortages, but with the rapidly changing labor market situation *current* information is needed if unnecessary migration and other disruptions are to be avoided. The sheer magnitude of the job militates against obtaining complete information on each job seeker. Moreover, such information is not essential to intelligent planning. The defense program is much less likely to be held up because of the lack of

gardeners and domestics than because of a shortage of tool makers, machinists, and welders. These considerations have led to a decision to concentrate all effort on locating and getting lined up for employment those workers essential to defense production. A system has been established for obtaining in each community a monthly count of the selected skilled workers available through the public employment offices.

Employers, long accustomed to calling back laid-off workers or to employing workers at the gates, were slow to realize that there were not going to be enough skilled workers to go around. The Employment Service, however, could not afford to be caught napping. It had to have the facts on the demand for workers.

Budgeting Labor

Accordingly every employer in a defense industry, employing as many as twenty workers, whether he had a defense contract or not, was visited and asked to budget on the basis of his production schedule his labor requirements for 60 days in advance. There were some 13,000 such employers and to many of these this procedure at first appeared to be mere nonsense, but in most cases they nevertheless cooperated. By relating the demand for workers to the known supply, it became obvious to the Employment Service that serious problems were going to be encountered in obtaining enough workers in many of the skilled and semi-skilled occupations.

By the time shortages were becoming apparent, it was generally agreed that longer range planning was necessary if labor was to be supplied and a rapidly expanding defense program sustained. The Employment Service decided to concentrate on the needs of the larger employers who accounted for an overwhelming proportion of the demand for workers, and to ask these employers to co-operate more completely in solving the recruitment problem.

Instead of making monthly visits to employers of twenty or more workers to obtain their labor demands for the next 60 days, it was decided to visit every two months only those employers employing 50 or more workers and to obtain their demand for workers for the next six months. At present some 10,000 employers are supplying the Employment Service with this information.

To meet current needs and to deal with the situation in the months immediately ahead the Employment Service has just conducted a vigorous drive to register in its local offices all unemployed workers wishing employment in defense industries, together with all employed workers now working in occupations not requiring their highest skill. The preliminary results indicate that over 4,000,000 workers are available for immediate employment.

Developments in the early months of the defense program stressed the importance of training as a means of providing needed workers. Congress recognized this in appropriating funds for defense training purposes. Persons who have the basic physical qualities and show some aptitude for learning a trade needed in defense industries are being referred by the Employment Service to pre-employment defense training classes and work experience projects maintained by the U. S. Office of Education and the National Youth Administration. In order that the training facilities may be most effectively used and the training closely geared to defense needs, the Employment Service, on the basis of its information on the available labor supply and its knowledge of needs obtained through its contacts with employers, determines the number of workers to be trained in each occupation.

The training period varies with the aptitude of the trainee and the difficulty of the skill being taught, and may last from three weeks to three months. Another factor affecting the length of the training period is the degree of proficiency required by the employer before he is willing to place the worker on production work. As the market

PLACEMENTS BY SELECTED GROUPS—UNITED STATES EMPLOYMENT SERVICE

MONTH AND YEAR	TOTAL	OCCUPATIONAL GROUPS[1]				INDUSTRIAL GROUPS		
		Skilled	*Semi-skilled*	*Unskilled*	*All Other*[2]	*Manufacturing*	*Construction*	*All Other*[3]
1940								
January	220,915	..	..	..	..	44,888	21,359	154,668
February	203,332	..	..	..	..	39,595	20,655	143,082
March	243,329	..	..	..	..	42,749	29,904	170,676
April	294,537	..	..	..	..	43,529	40,823	210,185
May	349,559	..	..	..	..	50,019	52,054	247,486
June	329,912	..	..	..	..	50,916	47,965	231,031
July	308,101	26,296	33,028	73,057	175,720	54,690	51,372	202,039
August	330,738	29,668	39,275	83,364	178,431	70,968	52,466	207,304
September	352,571	31,029	39,866	89,282	192,394	74,648	51,883	226,040
October	407,494	41,423	39,482	108,611	217,978	74,818	82,354	250,322
November	364,779	41,812	34,678	111,637	176,652	73,458	80,364	210,957
December	377,697	41,390	34,847	108,509	192,951	68,866	78,460	230,371
1941								
January	363,163	44,698	41,020	104,302	173,143	69,993	93,182	199,988
February	344,335	46,311	42,154	97,801	158,069	72,647	88,096	183,592
March	376,308	41,187	46,406	99,828	188,887	84,411	68,849	223,048
April	443,180	42,467	49,996	111,480	239,237	95,162	70,229	277,789

[1] Occupational groups prior to July 1940 not comparable.
[2] Includes professional and managerial, clerical and sales, service and agriculture, forestry and fishery occupations.
[3] Includes agriculture, forestry and fishery, mining, transportation, communication, and other public utilities, wholesale and retail trade, finance, insurance and real estate, and service industries.

becomes tighter, the length of the training period is shortened. As soon as the trainee meets the employer's requirements, he is referred to the job by the Employment Service. During the first year of the defense program it is estimated that 350,000 workers received pre-employment training in courses maintained by the Office of Education, and another 850,000 received supervisory, engineering, and supplementary training designed to help them obtain employment or promotion in defense industries.

Training

During the past year an Eastern aircraft company located in a relatively small community has been able to double its staff and will soon double it again, using local workers almost entirely. The company has made use of the latest occupational analysis techniques, organized a thorough upgrading and supplementary training program, and an expanded apprenticeship system. Practically all the new workers in the plant have been obtained from among the graduates of pre-employment training courses in the locality.

It is obviously better to train workers locally than to import them, particularly at the present time when many communities are unable to keep pace with the increasing demand for housing, recreational opportunities, public schools and other community facilities. There are, however, a number of occupations in which the skills cannot be acquired in a short period of time. In such cases it is necessary to locate experienced workers outside the community and bring them to the place where they are needed. To do this the Employment Service maintains a clearance system which covers the entire United States.

The first step in filling a job after an order is received is to search the file of registrants in the occupation desired. If there are no persons registered who have the qualifications demanded, the local office may contact other employers and workers to see if they know of anyone who might be suitable. If no one is found, the Employment Service may advertise. Or, before taking these steps, the Service may have consulted with the employer to find out if under the circumstances he might be willing to accept a person with slightly different qualifications than those specified in the original order.

If all these local approaches fail and the job is an essential one to the employer's operations, the order "goes into clearance." This means that it is transmitted first to other local offices in the area, then to the State headquarters, and if necessary from there to other States and regions until the whole country is covered in search for a qualified worker who is willing to accept the job. Although several steps are required in this process, they are taken rapidly, so that employers are informed in a short time as to the success of the search for the workers needed.

Through clearance, deep sea divers have been found in Montana, tug boat captains in Kansas, loftsmen in upstate New York. During the depression these workers drifted into other work and are now being returned to employment using their highest skills. Although few craftsmen working out of skill are likely to be found in the future, the clearance machinery may provide an important means for shifting workers who are thrown out of work because of shortages of materials.

In the twelve months ending with May the Employment Service made 4,500,000 placements. In addition there were 1,600,000 placements in connection with which the Service merely assisted the employer in locating a former employee or referred to him a number of workers without going through the usual testing or pre-selecting procedure. This was done usually when large numbers of farm workers were needed on short notice. It is estimated that about a fifth of all placements were in manufacturing jobs. The trend of placements classified by occupation and industry for the last sixteen months involves a significant increase in the number of placements of skilled and semi-skilled workers, particularly in manufacturing and construction.

The Employment Service is earnestly urging all employers to recruit labor through its facilities in order that the labor demands of defense industries may be pooled and unnecessary turnover and competition among employers avoided. Pirating can become completely disruptive; and already there are signs of its reappearance. In a recent report received from the employment security agency of an important Eastern industrial State, it was pointed out that "most manufacturers are opposed to the practice, but feel that the pressure of unfilled contracts is too great to ignore." Co-operative arrangements between workers, employers, and the Employment Service must be worked out so that transfers among plants may be conducted in an orderly manner.

OPM Recommendation

In its drive for all employers to use its facilities the Employment Service has the complete support of the Office of Production Management, which has explained to all defense contractors the necessity of their using the Service to recruit workers and of refraining from labor scouting or advertising without first clearing with their local office on the need for such action. At the same time the Office of Production Management has urged the workers to register with the local office and make full use of its services.

In some States the defense program has so strengthened the co-operative relationship of the workers and employers with the Employment Service as to bring about some very striking results. In at least one State vocational training has been planned to attract every able available person for defense employment. Every effort has been made to utilize fully the entire community resources, with special attention to minority groups and persons who might not ordinarily be regarded as a

(Continued on page 44)

PRICE CONTROL *on the* CONTINENT —REGULATIONS *and* RESULTS

DR. JULIUS HIRSCH
Economist

EWING GALLOWAY

PRICE fixing and price control is a highly technical and difficult job too often attempted with unskilled labor. The problem is typified by a sequence of events which occurred in Germany during the First World War.

A shortage of butter forced the price up rapidly. Consequently, a maximum price was fixed so as to set a ceiling to the butter price and to give the largest possible number of people an opportunity to buy. Once the price restriction was accomplished, the unsatisfied demand for edible fats drove the price for oleomargarine and its components up, and it proved necessary to fix that price also. That, however, was done on a higher level because the margarine price had already increased to a level relatively higher than the price fixed previously for butter. But the end had not been reached, for the price of other cooking fats rose enormously. Those prices too, were later mostly nailed at the then prevailing level, which was still higher than the levels for butter and margarine.

The consequence of these measures was that butter production became less profitable than the production of some other animal fats. But worse than that, it had been forgotten to fix the price for lubricating grease, and the price for a pound of grease rose to levels several times as high as the price level for butter. The natural outcome was that the farmer found it much cheaper to use butter for the lubrication of his implements than the ordinary lubricating fats. The unfortunate thing about it all was that lubricating fats could not be used as butter although the consumers would have been glad to pay the high grease price to get butter.

There were other difficulties. Since the first German maximum price ordinance had established a fixed price for ordinary butter only, there was no provision for the price of rancid butter, which consequently was sold at much higher prices. A special law had to be enacted to establish a maximum price for spoiled butter.

These complications, which were partly repeated with a rationing of butter but no rationing of animal fats in Denmark in 1940, illustrate how the fixing of one price exerts influences upon other prices, particularly upon prices and production of related commodities. Moreover, there are frequently repercussions in the price structure which cannot be foreseen when one particular price measure is imposed. Price regulation teaches very forcefully that there exists an interdependence of prices which cannot be

2250 B. C. The Oldest Maximum Prices

Compulsory prices, interest, and wage rates—from the Code of Hammurabi, King of Babylon

If a merchant has given grain or money on interest, he takes for 8½ bushels of grain, 2.83 bushels of grain as an interest; per shekel of silver a sixth plus (about) one-sixtieth shekel on his interest.

If a builder built a house for a man and completes it, that man shall give him eighteen shekels of silver per eighteen square yards as his wage.

To surgeons for lucky operations "with a bronze lancet."

On full citizens	10 shekels of silver
On freemen	5 shekels of silver
On slaves	2 shekels of silver

To veterinary physicians for operation on an ox or a donkey: one-sixth of a shekel of silver.

Wages for a field laborer	68 bushels of wheat annually
Wages for an herdsman	51 bushels of wheat annually
Wages for a tailor	5/360 of a shekel of silver a day

Compare R. H. Harper, *The Code of Hammurabi*, University of Chicago Press, 1904; and P. Cruweither, *Commentaire du code d'Hammourabi*, Paris, 1938.

tampered with if the purpose of price regulation is to be achieved. The fixing of the price of any one commodity encourages the fixing of other prices.

It is therefore easy to understand that even in emergencies no responsible economist has ever favored the fixing of prices as a move that was in itself desirable. On the other hand, all history teaches that in times of emergency responsible statesmen have been unable to renounce price regulation—even in America.

Price regulation is certainly no new invention. It has been tried throughout history. The oldest price regulations known to us are carved in the law tables of Hammurabi, King of Babylon. Cut in stone more than 2000 years B.C., these laws established compulsory prices which could not be exceeded nor undersold. From that time fixed prices largely determined, or at least influenced, the commercial activities in ancient, medieval, and feudal times.

Regulation Revived

But with the French Revolution and throughout the period of the industrial revolutions free prices became dominant in domestic and in international trade. At the outbreak of the first World War, over a century after the French Revolution, government price regulation was again introduced. Supplemented by auxiliary measures, price regulation was continued through part of the post-war period.

Then the great depression brought about a revival of price regulation. The foremost example in this country is the AAA. Armament production and the outbreak of hostilities have established price regulation both in totalitarian and democratic countries. This country, still in a state of preparation, is now witnessing the first steps in price regulation, and there is little doubt that that policy will be applied more fully as the armament effort progresses.

The economic history of the last 150 years has established beyond any doubt that free competition, free markets, and

E. R. HIBBS

free prices constitute the basis for economic progress and for higher living standards. It has been found that free prices are best suited to regulate business activity. They serve to advance the most effective operators and to retard marginal producers and decaying industries. This experience was particularly widespread in this country, more so than in Europe with her progressing cartel movement. Here the faith in free market and in free price has been unshaken for many generations.

Hence, it is all the more noteworthy that during emergency and war periods free price and free market have been abandoned immediately everywhere and that their value has been denied even in this country during the first World War. The reasons are quite evident, however.

The stimulus from armament expenditure and armament production disrupts the price level. Singly or together prices begin to climb and they produce thereby undesirable economic and psychological repercussions. Economically, rising prices indicate that the government has to compete with private enterprise for raw materials and workers. That competition is costly and it delays deliveries which are urgently needed. Psychologically, rising prices become intolerable to recipients of fixed incomes and to members of armed forces who are called upon to make sacrifices in the face of "profiteering" on the home front.

A rising price level boosts tremendously the government's outlay for defense. Unfortunately, taxation does not provide the answer. The often discussed idea that taxes can adjust the effect of eventual excess prices and excess profits proved to be unrealistic in most countries where it was tried, even in England during World War I. In most cases such taxes can be collected, at the earliest, a year after the profit is made. On the other hand, the psychological and inflationary effect of excess prices is felt in a much shorter time. Furthermore, governments generally prefer to pay lower prices now rather than pay high prices first and perhaps get back a part of the overprice in the form of taxes—which may suffer from a reduced value of money.

These considerations lead governments to regulate prices and profit margins as soon as bottlenecks occur and when it becomes apparent that lasting shortages will detrimentally affect the price level.

The totalitarian governments did it even earlier. They knew in advance that the huge armament program would disturb prices and distribution possibilities. Therefore, some years before World War II, they began to use what experience they had as to price regulations from the World War I.

The Consecutive Stages

Price regulations in Europe grew out of shortages. Most of them were developed during and after World War I. They appeared clearly as a system of consecutive stages, with new means of regulation appearing as the shortages grew keener and as the technique of regulations was developed.

That there was this sequence in the measures actually employed does not necessarily imply that one measure always must follow the other and that the sequence cannot be interrupted or reversed. European experience since 1933 indicates that many regulations which during World War I were introduced at a late period would have, if applied earlier, at least mitigated the severity of bottlenecks and of lasting shortages.

The American situation is much less governed by scarcity than the European ever has been or is actually now. But there are already shortages of some materials; transportation difficulties are growing; and more and more bottleneck situations, one increasing the importance of another, already exist.

Of the many phases of price regulation, a few stand out as the most important and also as those most likely to

GENDREAU

be of beneficial effect if adopted at a relatively early stage of an emergency. These will be reviewed in the light of the great body of experience accumulated in European countries, especially in Germany. They include:

1. The technique of handling maximum prices; consideration must be given to the interdependence of prices, to the relation to priorities, and to other rationing measures.

2. The licensing of industries to prevent secret markets.

3. Equalization fund; elimination of marginal costs; utilization of all existing means of equalling expenses.

4. The problem of fair price and anti-profiteering legislation.

The consecutive steps in price control as they developed are:

Temporary emergency (or "spot") prices were established under various conditions. When in August 1914 troops were massed in frontier regions, quite suddenly a huge demand for many goods, accompanied by violent price increases, arose. To stop the price advance, the military authorities at once decreed maximum prices. The same happened in World War II as soon as some foreign countries were occupied. Such decrees, to be effective, threaten court martial and even execution to those who violate the price ordinance. This is very efficient for the moment. But time and again experience has shown that such "spot maximum prices" will help for only a very short time indeed.

By 1915, after one year of experience, it was generally agreed in Germany that if you "establish a maximum price without rationing, the commodity will promptly disappear from the market." In the long run, a maximum price cannot be enforced without control of demand; and a mimimum price—as shown by American experience during the NRA— is useless without a control of supply.

To establish a maximum price without control over the goods themselves, will evidently fail to attract the commodities. Secret markets are very likely to develop, and can, as European experience has definitely shown, become important enough to disrupt not only the price level but the entire emergency program. The current experience in this country with maximum prices for used machine tools without control of the sellers has already shown this tendency. A maximum price for a single commodity alone is usually insufficient; it has to be supplemented by control of the goods or of the dealers and processors, that is, by a kind of licensing.

Maximum Prices

In Germany and soon after in most other European countries—the essential strategic raw materials as iron, steel, other metals, and coal were soon after the beginning of World War I subject to price fixing regulation, some of them for a while without official rationing, but with priority control. A comparatively high degree of concentration of production prevails on these materials. In continental Europe, the producers were generally united in cartels. It was, and is, easy to place these centralized industries under the supervision of government officials. No formal rationing was needed; indeed in some instances, it already existed.

The attempt to proceed in the same way failed, however, with regard to grains, cereals, and other basic foodstuffs. After some weeks of war, maximum prices for these were imposed by Germany and most other European countries followed soon after. This was necessary because a shortage occurred very soon with the interruption of imports, and run-away prices in these lines would have been quite intolerable. In many countries, however, maximum prices for foodstuffs had to be combined with rationing and with central production and distribution control exercised by buying and selling boards. That was the normal procedure from or shortly after the outset of World War II in most European countries.

As to consumers' goods, in 1914 maximum prices usually took the form of maximum retail prices. At any rate that often was the first step. This proved to be untenable because once the retail price was fixed, the producer, being the first seller, advanced his price as closely to the fixed retail price as possible. Consequently the wholesaler and the retailer had a very small "spread" left, if any. Consequently it was soon necessary to fix maximum prices not only for the retailer but for the producer and for the wholesaler as well.

In addition to this "vertical" system of price regulation (from the producer to the retailer) there were "horizontal" price regulations which became necessary because of differentials in cost and in freight rates. During World War I there were in Germany over 31 price regions for grain price differentials. There were other price regions for potatoes and others for vegetables. In the United States there are already eight districts for iron and steel scrap prices and one of the price ordinances recently issued for scrap establishes 802 different maximum prices.

Originally maximum prices are usually thought of as more than a minimum price, the idea being that where a fair profit can be earned at less than the maximum price the actual price should be less. This idea was also expressed in press comments regarding the first price schedule for used machine tools in this country. Unfortunately, when a shortage prevails, the idea that maximum prices should not become minimum prices remains pure theory. Actually, maximum prices very soon become minimum prices, as a German law formally acknowledged in 1923, and, furthermore, they can hardly be maintained without a control of the commodities themselves (priorities and rationing).

Fair Price Laws

Maximum prices, the most rigid form of price control, are only possible for important commodities. It would, for instance, be quite impractical to fix maximum prices for the 10,000 kinds of stockings which, in 1938, Mr. Selfridge of London said were necessary for his department store chain. The problem is multiplied in the cases of innumerable other textile products. And then, too, there are the new goods, the Ersatz goods, and imports, the prices of which change constantly. But these commodities can, when speculative buying occurs freely, disturb the whole price level.

Because of that, neutral Switzerland enacted as early as August, 1914, the first general anti-profiteering law. Germany followed in 1915 (not including luxury goods). The other countries soon found such action necessary; America in 1917 (the Lever act).

Such fair price legislation tries to guarantee "fair prices." After a while, it turns out that only a "fair profit" means non-profiteering. It is quite obvious, of course, that the question of what constitutes exactly a fair price, or a fair profit, cannot easily be answered definitely. After 25 years of development, most nations adopted formulas rather similar in character.

The Heart of American "Fair Price" (Anti-Profiteering) Regulation

THE April 11, 1941, order of the President creating the Office of Price Administration and Civilian Control contains among others the following:

. . . The Administrator shall

A. Take all lawful steps in order

1. To prevent price spiralling, profiteering, and inflation resulting from market conditions caused by the diversion of large segments of the national resources for the defense program . . .

2. To prevent *speculative accumulation,* withholding and hoarding of materials and commodities . . .

4. After the satisfaction of the military defense needs, to provide . . . for the *equitable distribution* of the residual supply of such materials and commodities among competing civilian demands.

C. Determine and publish, after proper investigation, such *maximum prices, commissions, margins, fees,* or other elements of cost or price of materials and commodities . . .

G. . . . develop programs with the object of *stabilizing rents* . . .

Incidentally it may be noted that the Presidential order of April 11, 1941, clearly contains the basic elements of anti-profiteering legislation. Anti-profiteering legislation is, of course, of paramount interest to all business men; the major problems involved in such legislation are discussed later.

A General Freezing

A new idea, not tried during World War I, is the general freezing of prices, wages, rents, and interest rates for the entire duration of the emergency. This proposal originated in this country and was first advocated by Mr. Bernard Baruch in 1931. It has become lately the backbone of the pre-war and war price policy in Nazi-Germany. In that country all prices were frozen as of October 18, 1936. The freezing included not only commodity prices, but also real estate prices as well as wages, rents, and interest.

Two years ago, Japan copied the German law almost word for word, but it appears that whereas the general price freezing works under Germany's organization, it is less successful in Japan.

A general price freezing scheme was, and is, comparatively easy to operate in Germany because there had been in 1933 a general wage freezing. Price freezing was enormously facilitated by the fact that for more than 20 years practically all wages and salaries were fixed in "classes" or "tariffs" through collective bargaining. Germany had also frozen interest rates and dividends. Even more important, the administrative branch of government, now centralized and coordinated under the Nazi regime, has been schooled continually since 1914 to take over many and difficult tasks of economic control and supervision.

In spite of these advantages Germany was obliged to enact separate maximum prices and also maximum profit laws for all industries which process imported goods or which produce commodities consisting mainly of imported raw materials (textiles and metals). Furthermore, necessity imposed upon Germany the obligation to develop substitutes (Ersatz) and there had to be

special price laws for these new commodities. The "Ersatz" industries, feeling their way into unknown territory, could not be put into the same class with older industries and consequently the anti-profiteering laws had to be modified so as to be applicable to the new industrial ventures.

In the enforcement of obedience to price regulations—in Italy as in Germany—those who disregard the laws are threatened not only with the loss of business "license" but with the most severe punishments, even execution. So far no direct punishment at all enforces the new American price legislation.

It seems very doubtful that general price freezing can soon be effective in this country. American business life, as constituted today, does not seem to have developed the prerequisites which are essential for general price freezing. This country has no established wage classes and tariffs such as exist in Germany, England, and the Scandinavian countries. There is a great variety in freight rates and in almost all other cost elements. But—perhaps most important—this country has had no reason to develop an administration acquainted with such difficult and manifold control functions as would be needed to make a general price freezing effective.

Rationing

Customarily, when the supply of a commodity shrinks or is curtailed, the supply goes to those who are willing to pay the highest price. This tendency can be counteracted with the imposition of maximum prices. But if a price limit has been fixed and a real shortage prevails, it will usually be observed that the available supply, rather than being offered to the general public, finds its way to the seller's best friends. This happens very often in Russia. When a new delivery is made at a department store, the employees know of it first and their relatives appear at once to buy the goods at the official price. The purchase is, if possible, in excess of their personal needs and they resell the goods at much higher amounts than the official price. Bootlegging of scarce commodities flourishes in such "secret markets."

If such abuses are to be avoided, the available supply must be distributed in equal rations. Rationing is, therefore, the next step. In European countries practically all strategic raw materials and most of the important foodstuffs are rationed at the present time. This country has so far become generally acquainted only with the mildest form of rationing, that is with priorities. Priorities affect only a part of the raw materials under consideration; the rest are given over to civilian use. When

H. ARMSTRONG ROBERTS

the supply set aside for civilian consumption becomes scarce, priorities have to be supplemented by rationing.

The classical example for rationing is bread; first applied in Central Europe in 1915. A uniformly stipulated amount per person a day may be sold against a coupon of the ration card. Allowances are granted for higher rations for those who are doing particularly heavy work (such as coal miners) or who work longer than the customary hours. Rationing is today widely in use all over Europe.

To operate a rationing scheme, it is necessary that the whole supply of a commodity be controlled by one central government agency. A very elaborate administrative set-up is required for rationing down to the last consumer.

In these schemes as operated in Germany, the wholesaler often encountered peculiar difficulties. The rationing often required the distribution of commodities by the state and local authorities. For the retailer, this did not make much difference, but for wholesale distributors, this often had unfortunate consequences.

Wholesalers Suffer

The local political administration was responsible for equitable distribution and it was very difficult to make use of wholesalers located in other political divisions. As a result the authorities created their own distribution offices and a large part of the previous wholesale machinery was no longer needed. The wholesalers had to try to become sub-agents for the government distribution system.

In World War I in England, milder forms were tried. These were further developed in pre-war Nazi Germany and in Denmark. One of these was the so-called "customers' list" plan. The retailer sold a curtailed quantity in equal rations, but only to regular registered customers. The wholesaler was obliged to divide scarce goods between his retailers according to quotas—perhaps, for instance, so that each received 50 per cent of the last pre-war period supply. But nearly every commodity calls for its own forms of rationing. With textiles, for instance, rationing is particularly cumbersome because of the almost unlimited variety of textile goods, the countless small plants, and the fact that textile materials can comparatively easily be substituted one for another.

Therefore, both in World War I and later, Germany tried a plan whereby a government officer passed upon applications for buying permits for a new suit or for cloth. Since 1939, there has been introduced a "point" system; each person gets 100 textile "points" a year, 60 of which are consumed when ordering a man's suit, 4 for a pair of stockings; 2 for a handkerchief, etc. England adopted a very similar plan on June 7, 1941.

To cope with the difficulties presented by the multitude of factors and conditions in the textile industry, two methods used in Germany during the first World War have been further developed. First, it was made compulsory that first class materials be mixed with re-used wool. Second, substitute fabrics were introduced consisting partly of paper yarn and partly of nettles, etc. Similar prescriptions for new Ersatz materials (cellulose derivatives) were issued again in 1937 and 1938. As a consequence of the shortage in other raw materials the rayon industry developed during the first World War. Whereas wool and cotton were lacking in most European countries, there was plenty of lumber which could be used for "Ersatz." During the present emergency the rayon and cellulose textile industries have again received a great boost in all European countries.

The License System

The control of price and distribution can be much facilitated by the licensing of all the companies involved. When concerns can operate only if they have a license, it is much more easy to enforce price and other stipulations. The enforcement of these stipulations can be effective in preventing secret markets, but that is not uncomplicated.

For instance, a cattle dealer in the Rhineland sold exactly at the prescribed maximum price; but for every two head of cattle, the buyer had to buy a dog for about $120 (500 marks). This remarkable dog came regularly back to his master after a short while.

Again, when scrap metal was subject to a maximum price but not to rationing, dealers bought and sold the scrap in combination with other goods. The scrap was then invoiced at the maximum price, but the other commodities on the same order carried a price much higher than the normal price. An invisible premium was paid for the scrap contents of the delivery. In other instances, the maximum price appeared on the invoice, but a separate cash payment was made before or after delivery.

Of course, many times an invoice was not submitted at all. In such cases, no amount of control can easily ascertain the actual price paid. This difficulty has been observed in many countries since the Fall of 1914.

CURTISS-WRIGHT CORP.

These and other machinations can generally be prevented by a license system. Every dealer or processor who buys or sells at other than the prescribed prices or terms faces the danger of being put out of business. The license system, now effective in totalitarian states for several years has proved to be a very effective device in the control of prices and distribution. Licensing means, however, restriction of the right to be in business; such restriction of the free movement in and out of business may, of course, create conditions at least favorable to political manipulation.

Central Buying and Selling

The next step toward an even more concentrated form of control may be seen in the creation of central boards in charge of buying and selling for industries as a whole or for trade areas. This step was initiated in Germany in the Fall of 1914. It is used in the present war by all belligerent and some neutral nations. These boards may take the form of compulsory cartels operating under state supervision or may emerge as a co-operative effort of industry and government. There is vested in these central boards, the power of disposal of raw and auxiliary materials, and the board sequestrates and consecutively disposes of the entire supply available. All of the enterprises work for the account of the central board which distributes or even sells not only the raw material, but also the finished and semi-finished products. The central board becomes the sole operator of all factories and plants in a given business line.

With only one operator in the field, it is comparatively simple to fix a buying price for the products of each company and even to pay a higher cost, if needed, to the marginal producers. That producer is usually the least efficient one. When his price has to be accepted as the general price for the whole industry, a great deal of profiteering is possible.

This can be circumvented as shown in the following example which happened in Germany during the first World War: The industry in question comprised about 25 companies. Of that total 4 companies had very efficient plants and their cost per unit was approximately 60. Fifteen other companies produced at a cost of about 85 per unit. In determining the maximum price, the industry presented the cost calculation of the least efficient producer only. Since there was no experience to guide the administration the cost calculation submitted by the industry was accepted. Within a very short time it became apparent that still more inefficient producers began to set themselves up in the business and soon enough one of these newcomers complained—and very convincingly too—that the stipulated price did not yield him any profit.

This experience caused the administration to make an arrangement whereby every producer received his actual cost plus a fair profit. In this way it was possible to get two-thirds of all the production at a price of about 65 per unit.

The little quantity produced by the least efficient producer was paid for at a rate of 105 per unit (100 cost plus 5

profit). Thus, every producer received his fair profit and the average sales price amounted to something like 76 per unit. This uniform selling price all over the country facilitated the supervision of price observance enormously.

Other Equalization Funds

A similar equalization system was and is applied for various other purposes, mainly to cut down marginal costs. Where freight rates and freight costs differ widely, producers usually demanded that if a uniform price is to be imposed the highest freight cost should be covered by that price. Such an arrangement would give an extra profit to those with no or small freight costs. The sound solution was for the central board to deliver all materials freight prepaid and to charge every pound of the commodity with the average freight rate.

Identical arrangements were made with respect to other expense elements such as advance ratings on seasonal goods and alternate types of packaging. The same principle can be applied when extraordinary expenses have to be absorbed such as the building of new plants for the production of substitutes and to the building of living quarters for workers.

Minimum Prices

Minimum prices are well known in America since the various minimum price fixation attempts during and since the NRA and AAA periods. These American minimum prices were intended to protect the producer against the consequences of abundance. In emergency times, minimum prices are also used as a means to remove scarcity to protect the primary producer against price cutting by the processor.

For example, when coffee became scarce in Central Europe, in 1915, it was urgent to expand the production of chicory. This was achieved by granting the producers a relatively high minimum price as an inducement for difficult work to be done more quickly. The same applied to beet sugar in Europe. Some countries protected and induced the farmers producing sugar beets by minimum price; the refineries got imposed maximum prices for the finished product. In this way, the minimum price for the farmer was fixed, as well as the maximum margin, all distribution margins, and thus the maximum price for the consumer.

This leads to the practice of fixing a compulsory price that is a maximum as well as a minimum price, the "fixed price." This happened in Germany when grain prices were fixed in 1933, and the plan was afterwards applied to various commodities. The intention is the same as before mentioned: to guarantee the farmer a minimum price and at the same time to protect the consumer by a retail maximum price.

"Fair" Price

As has been pointed out before, price regulations are usually accompanied by laws designed to prevent excessive profit. The price fixation legislation as it has developed in various countries applies principles which are different with respect to agriculture, industry, and commerce, respectively.

As to agriculture, minimum prices for farmers have become an objective in war and in peace-times alike and the considerations which determine agricultural price policy are usually based on other than solely economic aims.

The outstanding characteristic with respect to armament industry is that the price should take account of the unusual risks involved in armament production and of the fact that the capital assets cannot be expected to be utilized profitably after termination of the emergency.

R. I. NESMITH

Consumers' goods and distributing industries on the other hand are usually curtailed so as to make it easier to shift labor and productive facilities to the more essential armament production.

These various conditions and aims reflect themselves in price regulations or may even lead to other measures such as enforced termination of some particular activity. Germany, for example, since 1939 has closed many enterprises that failed to make a profit under the permitted gross margins.

Thus it was and is very important to arrive at a clear notion of fair price and "profiteering." Without such a clear notion price regulation as well as economic policy are bound to be contradictory and nebulous.

After many deviations, trials, and errors there has developed a fairly uniform idea of what constitutes a fair price. That formula, the elements of which are now applied in nearly all European countries, consists of the following items:

1. Purchase price of all commodities, including all raw and auxiliary materials.
2. Cost of production, including cost for storing and distribution.
3. Reasonable allowance for all overhead costs.
4. Compensation for the proprietor's own labor.
5. Rent for own business premises.
6. Interest on capital.
7. Net profit not to exceed the prewar or pre-emergency level, but including a fair risk premium.

Once an anti-profiteering law is enacted, one of the first problems to be solved is: When there is a steady increase of prices, should the retailer determine his mark-up at the percentage rate used previously, or should the mark-up remain at a fixed dollar and cent amount? If it is to be a fixed dollar and cent amount, what should

happen when the expenses of the retailer are increasing also?

In nearly all countries the mere application of the same mark-up ratio has been rejected. The reason is that the same per cent ratio would result in a continuously increasing mark-up in dollars and would therefore create a direct interest on the part of the seller in steadily increasing purchasing prices. A vested interest in continuous price advances would be established.

Contrary to this reasoning the business man claims that it would be unreasonable if an inflexible dollar and cent mark-up were to be imposed in the face of rising costs per unit. The fair price formula given above seems to offer the best and most equitable solution to this problem.

The same problem, that is, percentage versus dollar and cent basis, arises when net profits have to be fixed. Most European countries have decided that net profits should be kept in line with the original dollar and cent amount per unit, especially if allowance is made for the special risk premium (point 7 of the list).

Loss Leaders

But how can a fair net profit be determined with respect to those commodities that as a rule do not yield a profit at all and are usually sold at a loss? In other words, what about "loss-leaders"? Should the business man be forced to continue to sell at a loss as in pre-emergency times? This would evidently be unjust because extra profits, which in pre-emergency times compensated for the loss incurred by loss-leaders, are now declared prohibitive and illegal.

Some months ago, the Danish price control board actually demanded that a loss-leader should be sold at the same loss as in 1938. On the other hand, Germany prescribes now that companies showing excessive profits (in proportion to the capital) have to declare and to deliver these profits voluntarily.

Should resale prices be based on original or replacement value? This problem is of paramount importance when there is a price increase of long duration.

Business men always demand that the replacement price be granted. Price control boards on the other hand try to maintain a stable price level and are usually opposed to the replacement price. The only exception to this rule seems to be Sweden, where the replacement price has been acknowledged. The sentiment in this country, as officially expressed recently by Miss Elliott, is "that when prices of new goods advance, inventories should be averaged rather than marked-up to the new level."

CHARLES PHELPS CUSHING

It is the underlying idea of all price regulation to maintain the prevailing price level or, if that proves to be impossible, to minimize price increases. When an elevation of the price level cannot be prevented, the insistence that the business man should sell at original cost implies that he cannot buy the original quantities and he incurs a loss in real value. It is evident that a compromise has to be found and the conflict, when real price inflation occurs, is usually solved by granting a higher risk premium.

This question can be subdivided into many problems. The most general one is whether all expenses or only the necessary ones should be covered by the gross margin. This raises immediately the question as to what constitutes a necessary expense.

For instance, when, as now in Europe, ten buyers run after one seller should the seller's advertising be regarded as necessary? To what extent are advertising costs necessary in that situation? Similar questions arise with respect to a company's social and welfare expense items. If such items are considered part of the cost, it might well happen that such fair costs allow a company to finance its individual welfare work at the expense of the consumer.

Even more intricate problems arise when individual industries or companies experience a continuously declining sales volume. This happened in European countries, particularly in consumer goods' industries which, because of the severe shortage, lost a considerable, if not major, part of their original business. The question then arises, should the margin on the curtailed quantities be high enough to cover all expenses including the customary entrepreneurial withdrawals?

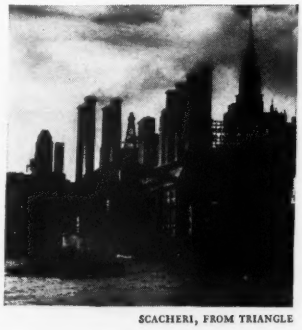
Numerous incidents could be cited which happened during World War I in Germany. For instance, because of the severe meat shortage the butchers in Berlin could keep their shops open for only two days a week. In other consumer goods' lines the factories had to content themselves with only one-sixth of their original raw material. In all these cases overhead costs remained about at the same absolute amount but, compared with sales volume, increased more than five and six times. That relative increase of overhead was then partly acknowledged and permitted to be included in the cost calculation only when the sales volume remained above 50 per cent of normal. At the present time, Germany seems to promote the principle that a relative or absolute increase in overhead is to be acknowledged only when the enterprise continues to provide the normal amount of employment.

Various European countries have tried to make it impossible for *unnecessary middlemen* to get into distribution. This has been found necessary because

there are always a great many people who try to cash in on profits which are virtually sure whenever a seller's market exists. For instance, in 1916 some shipments of condensed milk changed hands eight times in the course of five days. The "middlemen" consisted of a linen manufacturer, an artist, a real estate broker, an owner of a concert agency, etc. Every one of these middlemen had taken only a very moderate margin amounting to a few per cent of the purchasing price. But the accumulated effect was that the ultimate consumer had to pay a price 30 per cent higher than would have been necessary without these middlemen. In another case, some Danish beef was handled eleven times in four days; the increase in price was more than 50 per cent, and everyone of the middlemen could justly claim to have received only a "fair" profit.

Guidance Prices

To overcome the many difficulties and problems inherent in price regulation and distribution control, and to protect the business man against unwarranted bureaucratic interference, it was found desirable to declare so-called guidance prices. Such prices are determined by trade associations collaborating with price control agencies. This procedure was tried first during World War I and is now quite generally accepted in the Scandinavian countries. Guidance prices usually allow for the seven elements of fair prices discussed above. As long as these prices are not exceeded, no further control takes place. When the price is higher than the guidance price and a complaint is filed, the business man is called upon to prove that his actual expenses justify the quoted price.



SCACHERI, FROM TRIANGLE

Price Determination

It is always reasonable and proves to be desirable in the long run to fix prices or wages only after very complete—perhaps elaborate—hearings for the interested parties. Even in Germany's first war economy, some attempts to fix prices without hearing the interested parties soon proved to be inefficient. Later, even when the cost calculations of all plants of an industry had been examined by certified public accountants, a price was never fixed without giving the representatives of the industries involved the opportunity to discuss their views at length. This procedure was followed throughout the period, nearly seven years, in which the present writer was in charge of, or closely connected with, price control. There were various reasons for that policy.

First, even the figures of accountants needed explanations, confirmation, and, not infrequently, even correction.

Second, in times of emergency no public official and even no expert can be sure to know exactly about the changes and alterations of production that have to be made at a moment's notice. Such knowledge can be had only after hearing and checking up the opinions of the various interested parties.

Most important, however, is this: without hearings there is no way of overcoming the natural doubt and suspicion of interested parties as to the impartiality and objectivity of the price fixing authorities. Suspicion can be avoided only when the interested parties through their own representatives learn, as exactly and completely as possible, the facts and the reasons upon which the authority has fixed prices. Otherwise it would always be assumed that someone got something for himself through personal contacts. Public confidence in the impartiality of governmental regulation is much more needed in war or emergency times than under normal conditions. That confidence is sorely needed if emergency laws are to be loyally obeyed and executed by all subject to them.

EWING GALLOWAY

Price Control and Inflation

An armament boom, based on enormous expenditure, invariably creates additional purchasing power and at the same time curtails the supply of consumers' goods. In this situation, price policies will be effective only when supported by sound measures in the field of taxation and government borrowing. It is the task of tax and loan policy to absorb the newly created volume of purchasing power to the greatest extent possible.

Twenty-five years of experience in European countries seem to establish this lesson: when governments are driven into the inflationary adventure and lose control over their finances, they are likely to intensify price controls in order to slow up the process of rising prices, to establish a semblance of price stability, or at least to lower price increases, especially with respect to the most vital commodities. However, no price policy will ever be strong enough to counteract a run-away inflation or to mitigate the social and economic repercussions which follow such a national or international catastrophe.

WALL PAPER RATIOS *and* BUSINESS HEALTH

Under the probe of mathematical analysis, an industry reveals those features of size, structure, and sales which indicate pecuniary anemia or dollar-pumping energy.

ROBERT L. TEBEAU
Research and Statistical Division
DUN & BRADSTREET, INC.

WALL PAPER, to most people, is merely something on the wall. But to manufacturers and merchandisers of wall paper, it is something on the shelves and in the mills, something to be moved from mills and shelves to walls if they are to continue in business. To business men in other trades and to students of business in general, wall paper serves as a useful demonstration of the type of attack which can be made on the financial and operating problems of an individual industry.

The manufacturers of wall paper—through their trade association, The Wall Paper Institute—have for several years carried on a broad program aimed at sales promotion and the collection of statistics. Last year the Institute turned its attention to the industry's wholesalers, through whom a large part of the national output of wall paper is distributed. On the theory that a financially healthy distributor could be expected to do a more efficient merchandising job than one suffering from pecuniary anemia, the Institute decided to set up operating and financial standards typical of successful operation in the wholesale wall paper trade. The way in which these standards were set up, and some of the information they yielded, are the subjects of this article.

Not a completely new idea, it was nevertheless a good one. Such standards help a wholesaler to help himself; if he should be unable to apply them to his own business, the manufacturer whose line he handles can use the standards to diagnose the wholesaler's ailment and prescribe effective treatment. This is a perfectly normal and logical occurrence, for the manufacturer has a very direct stake in the financial health of his wholesalers.

For the compilation of the desired standards, the Institute utilized the research facilities of DUN & BRADSTREET, INC. By means of questionnaires, comparable figures were obtained from a representative sample of wall paper wholesalers. Once the figures had been reduced to ratios, the returns were boiled down to the results shown in table I, which lists the various items in the income amount in the form of typical[1] percentages of Net Sales, and which sets up certain typical ratios that are important rules-of-thumb in the wholesale trade.

Profit Variations

A "success story," though not in quite the usual sense, may be found in every such survey. It is told by the variations between the ratios of successful operators and those of operators whose financial position is most precarious. When an unsuccessful wholesaler discovers that certain of his ratios are more like those of the typical "loser" than those of the typical "winner," he may have a clue as to why he is losing his shirt and

[1] The typical figures listed are known technically as "*medians.*" When all the ratios for a particular item are listed in order of size, the median is the ratio half-way down the list. It is "typical" in that half of the ratios in the series are lower than the median, half are higher.

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may be able to change his habits while he still has his undershirt.

Ordinarily, business operation is thought of as being either "profitable" or "unprofitable," depending upon whether any income is left after materials have been purchased and salaries and other expenses have been met. But business men are coming to recognize that a point exists separating the profitable concerns which are successful from those which are merely getting by.

The profitable wholesalers in this survey were therefore classed either as "successful" or "survival." Into the "survival" group were put profitable concerns whose profits were less than 2 per cent of Net Sales. In this trade annual sales are on the average about three times as great as the money invested in the business; 2 per cent of sales is therefore equivalent roughly to 6 per cent on the investment. Thus the "survival" group is made up of enterprises which can keep afloat indefinitely, furnishing a living to their managers and employees and a limited profit to their owners. Yet the earnings of such businesses, even though plowed back, will not furnish capital for substantial growth nor will the return attract outside capital. The "successful" group, with profits on Net Sales of 2 per cent or more, includes enterprises earning at a rate which, even after payment of normal salaries to owners and active managers, offers an attractive return on the Net Worth or investment in the business. The "losing" group, with no profits at all, will eventually face bankruptcy or disappear unless sales can be boosted or the drag of expenses lightened before reserves and the patience of creditors are exhausted.

Success in this particular trade, according to table I, appears to be closely related to the ability to keep expenses under control. The overhead costs incurred by the typical "successful" wholesaler were some 8 percentage points lower than those of the typical loser, and this was roughly the difference between their profits. The Gross Margins of all three groups, however, were quite similar. (The difference between Net Sales and Cost of Goods Sold, expressed as a percentage of Net Sales, is called Gross Margin; expressed as a percentage of Cost of Goods Sold, it is called Mark-up.)

The sole item on which the losers appear to have an advantage over the successful operators is that of Losses

I. Typical Operating Ratios for the Wholesale Wall Paper Trade

	Typical Ratios	Successful (Profit on Net Sales 2.0% or More)	Survival (Profit on Net Sales 0.0% to 1.9%)	Losing (Profit on Net Sales Less than 0.0%)	Range of Usual Successful Experience (Profit 2.0% or More) Lower Limit	Range of Usual Successful Experience (Profit 2.0% or More) Upper Limit
Description of Concerns Analyzed						
Number of Concerns Reporting	70	29	23	19	..	..
Typical (Median) Net Sales (dollars)	*100,000*	*121,000*	*92,000*	*58,000*	..	..
Condensed Operating Statement (% of Net Sales)						
Cost of Goods Sold	63.0	62.7	63.8	63.3	59.1	69.3
Gross Margin	37.0	37.3	36.2	36.7	30.7	40.9
Total Expense	*35.5*	*32.2*	*35.2*	*40.1*	*24.7*	*36.3*
Profit (+) or Loss (—)	+ 1.5	+ 5.1	+ 1.0	— 3.4	+ 3.2	+ 9.0
Detailed Expenses (% of Net Sales)						
Selling Salaries, Travel Expense	7.7	5.5	9.0	9.4	3.2	8.9
Sample Book Cost	*3.1*	*3.2*	*2.3*	*3.8*	*1.6*	*4.4*
All Other Selling Expense	1.8	1.6	1.7	1.8	1.1	2.6
Total Selling Expense	12.6	10.3	13.0	15.0	..[1]	..[1]
Administrative and Office Salaries	8.3	8.1	8.0	8.8	6.5	12.0
All Other Administrative Expense	2.2	1.9	1.9	2.7	1.2	3.1
Total Administrative Expense	*10.5*	*10.0*	*9.9*	*11.5*	..[1]	..[1]
Warehouse, Packing and Shipping Expense	3.3	3.0	3.1	3.2	1.3	3.9
Delivery and Cartage Expense	1.9	1.8	1.4	2.0	0.9	2.5
Total Warehouse, Cartage, etc.	5.2	4.8	4.5	5.2	..[1]	..[1]
Rent or Occupancy Expense	4.6	4.2	4.0	5.0	2.7	5.1
Losses from Bad Debts	0.9	1.1	0.8	0.5	0.6	1.4
All Other Operating Expense	1.7	1.8	3.0	2.9	0.0	1.8
Merchandising Ratios						
Inventory Turnover (times per year)	3.2	3.1	3.1	3.4	2.0	4.7
Sales Trend: 1938-1939 (% Change)	+ 4.4	+ 6.0	+ 3.0	— 1.3	+ 3.7	+10.8
Returns and Allowances (% Gross Sales)	4.3	4.7	3.2	7.0	3.8	6.5
Cash Discounts (% of Gross Sales)	0.8	0.7	0.7	0.9	0.6	1.0
Cash Discounts Received (% of Purchases)	1.4	1.9	1.3	1.0	1.0	2.5
Sales Management Ratios (dollars)						
Annual Sales per Employee	9,900	10,600	10,100	8,100	8,500	13,500
Annual Sales per Salesman	21,200	24,300	18,800	18,700	15,100	31,900
Annual Wall Paper Sales per Set of Sample Books	79	79	83	64	56	122
Sample Book Cost per Set: Rack Size	5.66	5.66	5.82	4.58	3.78	8.58
Sample Book Cost per Set: Portfolio Size	3.54	3.54	3.64	2.86	2.36	5.36
Financial Ratios						
Per Cent Earned on Net Worth	+ 5.1	+12.6	+ 3.1	—14.0	+10.3	+20.0
Net Worth Turnover (times per year)	3.3	2.8	3.3	4.0	2.1	3.9
Working Capital Turnover, Estimated (times per year)	3.8	3.2	3.8	5.3	..[2]	..[2]

[1] Range figures were not computed for expense sub-totals, and cannot be obtained by adding individual expense limits.
[2] The method used for estimating the median Working Capital Turnover could not be used for estimating the range.

from Bad Debts. Actually, it may not be so advantageous as it looks. Bad debt losses can be kept low by an efficient credit and collection policy; they can also be held down by a credit policy so strict that it turns away sales that might have been profitable, or by an unwillingness to shake all of the uncollectibles out of the receivables ledger by writing off bad accounts.

"But my business is different!" the wholesaler can be expected to protest at this point. And he is right. Chances are that he is either bigger or smaller than the average, that he handles some paint as well as wall paper, and that he operates a small retail department or makes part of his sales to paperhangers.

This same problem has appeared and been solved in other surveyed trades, particularly in the wholesale field. For there seems to be no such thing as a "pure" wall paper wholesaler—one who sells only wall paper and who sells only at wholesale. Most wholesalers of wall paper make some of their sales at retail and all but a handful stock paint and other related products such as glass, window shades, paste, and wall coverings other than wall paper.

It is a matter of record that typical operating ratios vary from trade to trade, and even more sharply as between wholesalers and retailers. And it can be inferred that the typical ratios of wall paper wholesalers who make most of their sales to other wholesalers and sub-jobbers will be markedly different from those wholesalers who sell half of their merchandise at retail. It is also a reasonable inference that small concerns conduct their business on a basis somewhat different from that followed by larger ones.

Individual Differences

The ratios presented in table I, being "typical" of a group of wholesalers of whom no two are alike in size and in their proportions of products handled and of types of customer served, are not directly applicable to many—perhaps even most—of the individual concerns in the sample or in the trade as a whole. What standards are fair for a wholesaler operating on a very small scale, and what should be applied to one

II. The Influence of Size and Profit Status on Operating Results

Concerns grouped by annual sales volume

	Annual Sales Volume							
					Less than $100,000		$100,000 or More	
	Less than $50,000	$50,000-$100,000	$100,000-$375,000[1]	$475,000[1] or More	Profit 2% or More	Less than 2% Profit (incl. Loss)	Profit 2% or More	Less than 2% Profit (incl. Loss)
Description of Concerns Analyzed								
Number of Concerns Reporting	11	24	27	8	10	25	19	16
Typical (Median) Net Sales (dollars)	39,000	71,000	176,000	668,000	63,000	57,000	184,000	214,000
Condensed Operating Statement (% of Net Sales)								
Cost of Goods Sold	60.0	63.1	64.3	63.9	58.7	62.2	63.0	64.0
Gross Margin	40.0	36.9	35.7	36.1	41.3	37.8	37.0	36.0
Total Expense	39.7	36.2	32.6	35.3	34.8	37.7	31.8	35.5
Profit (+) or Loss (—)	+ 0.3	+ 0.7	+ 3.1	+ 0.8	+ 6.5	+ 0.1	+ 5.2	+ 0.5
Detailed Expenses (% of Net Sales)								
Selling Salaries, Travel Expense	8.7	7.6	6.1	8.5	8.1	8.0	5.7	8.8
Sample Book Cost	2.9	3.1	2.8	2.2	3.5	2.9	3.1	2.2
All Other Selling Expense	1.8	1.8	1.4	1.4	3.4	1.8	1.3	1.5
Total Selling Expense	13.4	12.5	10.3	12.1	15.0	12.7	10.1	12.5
Administrative and Office Salaries	6.9	9.0	9.2	6.7	6.8	8.9	8.2	7.8
All Other Administrative Expense	2.1	2.3	2.2	2.8	1.6	2.3	2.4	2.0
Total Administrative Expense	9.0	11.3	11.4	9.5	8.4	11.2	10.6	9.8
Warehouse, Packing and Shipping Expense	4.1	3.8	2.7	3.1	3.4	3.8	2.6	3.0
Delivery and Cartage Expense	1.3	2.3	1.5	2.4	2.4	1.8	1.5	1.5
Total Warehouse, Cartage, etc.	5.4	6.1	4.2	5.5	5.8	5.6	4.1	4.5
Rent or Occupancy Expense	6.0	3.7	4.4	5.2	4.1	4.7	4.0	4.5
Losses from Bad Debts	0.5	1.0	1.0	0.9	1.0	0.7	0.9	0.7
All Other Operating Expense	5.4	1.6	1.3	2.1	0.5	2.8	2.1	3.5
Merchandising Ratios								
Inventory Turnover (times per year)	2.5	2.2	4.0	3.2	1.8	2.7	4.0	3.8
Sales Trend: 1938-1939 (% Change)	— 0.9	+ 3.1	+ 5.1	+ 4.5	+ 7.0	+ 1.6	+ 5.7	+ 3.2
Returns and Allowances (% of Gross Sales)	5.2	4.7	5.3	3.3	4.7	5.3	5.2	3.4
Cash Discounts (% of Gross Sales)	0.6	0.8	0.8	1.2	0.7	0.7	0.9	0.9
Cash Discounts Received (% of Purchases)	1.8	1.1	1.9	0.9	1.9	1.2	1.9	1.0
Sales Management Ratios (dollars)								
Annual Sales per Employee	6,500	9,200	11,500	11,000	8,500	8,400	11,700	10,100
Annual Sales per Salesman	9,000	17,250	25,700	28,200	13,600	15,300	26,900	24,400
Annual Wall Paper Sales per Set of Sample Books	75	69	79	106	98	68	80	97
Sample Book Cost per Set: Rack Size	5.98	5.60	5.66	5.70	5.92	4.64	5.66	5.66
Sample Book Cost per Set: Portfolio Size	3.74	3.50	3.54	3.56	3.70	2.90	3.54	3.54
Financial Ratios								
Per Cent Earned on Net Worth	+ 1.3	+ 4.3	+10.7	+ 2.9	+13.1	+ 1.2	+12.2	+ 2.8
Net Worth Turnover (times per year)	3.8	3.1	3.2	3.5	2.3	3.9	2.9	3.3
Working Capital Turnover, Estimated (times per year)	4.8	3.6	3.6	4.8	2.6	4.9	3.2	3.8

[1] No concerns in the sample reported sales between $375,000 and $475,000.

whose receipts each year amount to hundreds of thousands of dollars? What marks should a dealer specializing in wall paper shoot at, as compared with a paint wholesaler who also handles large amounts of wall paper? And what should be expected of the wholesaler whose sales are made mostly to retailers, as against one who serves paperhangers or who operates a large retail department?

First of the logical classifications was that on the basis of size, as measured by Annual Net Sales; table II shows the ratios typical of four size-groups.

The large concerns operated on lower margins than did the small, and their expenses were likewise lower. One expense advantage enjoyed by the large wholesaler can be found in Selling. The large concerns get far greater volume per salesman than do the small, and their Selling Expense ratios are appreciably smaller. The merchandising ratios disclose that the concerns in the higher volume brackets were able to turn their inventory over considerably faster than the small. Likewise the large wholesalers increased their 1939 volume more sharply over the previous year than did the small; in fact, the smallest wholesalers seem to be growing even smaller. Obviously, the concerns in the second largest size-group (Net Sales $100,000 to $375,000) carried off the honors for successful operation, with profits of 3.1 per cent on sales, four times as good a showing as any of the other groups.

The interesting speculation is suggested as to whether yearly sales in this range may represent the most desirable size of concern in this trade. Even more exactly, the regression line of profit rate on sales volume for the 70 concerns in the sample indicates maximum profits in the $150,000-$300,000 range.

Obviously, size and profitability are to some degree related. The typical "successful" wholesaler is the largest of the three groups shown in table I, while the typical losing concern is by far the smallest. Similarly, from table II, it is apparent that the typical small wholesaler was the least profitable of the four size-classes and that the average concern in the second largest size-class was the most profitable.

III. Merchandise Lines and Operating Results

Description of Concerns Analyzed	Merchandise Line: Wall Paper, More than 65%	Wall Paper, 45% to 65%	Paints, 45% or More
Number of Concerns Reporting	25	21	22
Typical (Median) Net Sales (dollars)	82,000	92,000	105,500
Condensed Operating Statement (% of Net Sales)			
Cost of Goods Sold	60.3	64.0	66.1
Gross Margin	39.7	36.0	33.9
Total Expense	38.4	34.5	32.1
Profit (+) or Loss (—)	+ 1.3	+ 1.5	+ 1.8
Detailed Expenses (% of Net Sales)			
Selling Salaries, Travel Expense	8.4	6.2	7.2
Sample Book Cost	4.4	2.8	0.5
All Other Selling Expense	1.6	1.4	1.9
Total Selling Expense	14.4	10.4	9.6
Warehouse, Packing and Shipping Expense	2.9	3.6	2.3
Delivery and Cartage Expense	2.3	1.9	0.9
Total Warehouse, Cartage, etc.	5.2	5.5	3.2
Net Rent or Occupancy Expense	4.8	3.9	3.9
All Other Operating Expense[1]	14.0	14.7	15.4
Merchandising Ratios			
Inventory Turnover (times per year)	2.5	3.3	3.5
Sales Trend: 1938-1939 (% Change)	+ 5.1	+ 5.3	+ 3.1
Returns and Allowances (% of Gross Sales)	5.6	6.1	3.3
Cash Discounts (% of Gross Sales)	0.7	0.7	0.8
Cash Discounts Received (% of Purchases)	1.4	1.4	1.7
Sales Management Ratios (dollars)			
Annual Sales per Employee	9,350	10,000	10,250
Annual Sales per Salesman	25,500	20,150	19,600
Annual Wall Paper Sales per Set of Sample Books	77	76	80
Sample Book Cost per Set: Rack Size	6.05	5.63	5.18
Sample Book Cost per Set: Portfolio Size	3.78	3.52	3.24
Financial Ratios			
Net Worth Turnover (times per year)	3.3	3.9	2.6
Per Cent Earned on Net Worth	+ 3.8	+ 5.6	+ 4.5

[1] Includes Administrative Expense, Losses from Bad Debts, and miscellaneous expenses.

But it is no comfort to the small-scale wholesaler to be told that the way to increase his profit rate is to quadruple his sales volume, without also being told how that merchandising miracle is to be performed. What he wants are standards of successful operation for concerns the size of his own. Similarly the large wholesaler is conscious that different standards apply to larger-scale merchandising, and to him, also, appropriate standards are desirable.

To answer this need, the concerns in the sample were divided into two size-classes above and below $100,000. In a sample of this size, only two size-groups were possible, since each had to be split further into profit-groups. Within each size-class the "successful" wholesalers were separated from the others. The ratios typical of these four size-profit groups are also shown in table II.

Selling Expenses

"Successful" wholesalers in both groups showed higher Gross Margins and lower Total Expenses than did the others. But the expense advantage of "successful" large concerns was obtained on different items from those of the "successful" small houses. The most profitable large concerns spent considerably less on selling in general and on salesmen in particular than did the other large outfits, whereas the small wholesalers who were most profitable spent more on selling than the small

ones who were not. The reverse is true of the Administrative Expense items, with the largest amounts spent by the most profitable large companies and the least profitable small ones.

Whether a strong financial position is a cause or a result of profitability, table II strongly suggests that there is a definite relationship between the two. For both size-classes, the "successful" wholesalers were most frequently able to take advantage of the cash discount privilege, and had both more working capital and a larger investment in the business, as compared with sales volume.

The ratios in the tables so far examined reflect the merchandising of varying proportions of paint and other lines as well as of wall paper. What is typical of concerns which wholesale only wall paper, and of paint wholesalers to whom wall paper is a very important side-line? To answer these questions, typical ratios were set up in table III for concerns whose sales volume included substantial amounts of related products, as well as for concerns majoring in wall paper.

The first column is made up of "wall paper specialists," with two-thirds or more of their total business in wall paper; the third column shows the ratios typical of paint wholesalers whose principal side-line was wall paper; the second column portrays a middle-of-the-road group.

The type of commodity handled, even within an individual "trade," has a definite influence on operating results. For example, wall paper, being more of a style item than paint, is apparently more of a gamble. But the rewards for guessing right—profits—are seemingly higher, and the penalties for guessing wrong—losses—are likewise more severe.

Concerns which distributed more wall paper than paint had greater operating expense, and therefore found a higher Gross Margin necessary. Some of the reasons for the greater merchandising expense in the case of wall paper are indicated by the Selling Expense ratios in table III. Wall paper requires more selling effort than does paint, and more warehousing and packing. The greater storage and display space required for wall paper merchandising, as evidenced by the lower Inventory Turnover rate, also appears to be reflected in a higher rent ratio among wall paper specialists.

Clientele

Selling to different types of customers, in the wall paper trade as in most others, involves different merchandising and financial policies, and the break-down in table IV was offered for the individual wholesaler who desires to compare his ratios with those of concerns serving a similar clientele.

Quite naturally, the widest margin is obtained in the serving of industrial accounts and individual consumers (retailing), while the narrowest margin is obtained in wholesaling to dealers. The expense ratios fall more or less into line with these variations in margin, with no group far ahead of or behind the others in profitability, except for those wholesalers selling principally to retailers. The higher expense and the need for a wider margin in the serving of the industrial and consumer trade are strikingly shown by the larger selling expense typical of these two

(Continued on page 45)

IV. Type of Customer as an Influence on Operating Results

	Dealers More than 50%	Paperhangers, Contractors and Master Painters More than 65%	Paperhangers, Contractors and Master Painters 40% to 65%	Industrial, Maintenance and Real Est. Accts. 20% or More	Retail More than 35%
Description of Concerns Analyzed					
Number of Concerns Reporting	10	16	28	16	8
Typical (Median) Net Sales (dollars)	203,000	95,500	104,000	105,500	54,000
Condensed Operating Statement (% of Net Sales)					
Cost of Goods Sold	68.3	64.6	64.8	61.2	60.8
Gross Margin	31.7	35.4	35.2	38.8	39.2
Total Expense	31.3	33.7	33.3	37.1	37.5
Profit (+) or Loss (—)	+ 0.4	+ 1.7	+ 1.9	+ 1.7	+ 1.7
Detailed Expenses (% of Net Sales)					
Selling Salaries, Travel Expense	7.0	5.4	5.9	9.5	10.9
Sample Book Cost	3.9	2.7	3.0	1.1	1.5
All Other Selling Expense	0.9	1.5	1.4	2.6	1.9
Total Selling Expense	11.8	9.6	10.3	13.2	14.3
Warehouse, Packing and Shipping Expense	2.9	3.3	1.8	2.3	3.2
Delivery and Cartage Expense	0.9	1.8	1.6	1.9	1.9
Total Warehouse, Cartage, etc.	3.8	5.1	3.4	4.2	5.1
Losses from Bad Debts	0.7	0.7	1.0	1.0	0.8
All Other Operating Expense[1]	15.0	18.3	18.6	18.7	17.3
Merchandising Ratios					
Returns and Allowances (% Gross Sales)	4.5	4.6	5.6	4.3	3.4
Cash Discounts (% of Gross Sales)	1.2	0.9	0.8	0.6	0.8
Sales Management Ratios (dollars)					
Annual Sales per Employee	11,700	11,100	9,700	8,500	7,600
Annual Sales per Salesman	29,050	24,550	23,000	18,400	11,250
Annual Wall Paper Sales per Set of Sample Books	101	78	73	79	105
Financial Ratios					
Net Worth Turnover (times per year)	3.9	3.0	3.3	3.8	3.2
Per Cent Earned on Net Worth	+ 2.8	+ 6.8	+ 7.6	+ 7.4	+ 3.1

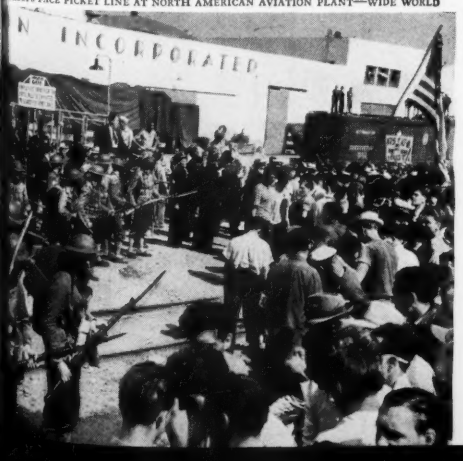
[1] Includes Administrative Expense, Rent, and miscellaneous expenses.

NT OF LENIN STANDS SURROUNDED BY WRECKED RUSSIAN TANKS—WIDE WORLD

OTOR CO. SIGNS WITH CIO IN FIRST UNION CONTRACT—PRESS ASSOCIATION, INC.

OF OLD ALUMINUM BEGINS WITH TEST DRIVE IN RICHMOND, VA.—WIDE WORLD

TROOPS FACE PICKET LINE AT NORTH AMERICAN AVIATION PLANT—WIDE WORLD



The Business Man's Diary

June — 1941						
Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

1 CRETE falls after 12 days of the "fiercest fighting in this War."

2 PRESIDENT signs bill providing mandatory priorities of war-time scope.

3 CHRYSLER CORPORATION increases wages 8 cents an hour on top of 2 cent advance last December, matching 10 cent rise granted by General Motors.

4 WILHELM II, former German Kaiser, dies at 82 in exile in the Netherlands. . . . Steel industry agrees to expand production facilities by 10,000,000 tons.

6 SOUTHEASTERN UTILITIES, faced with power shortage, plan to reduce consumption of power by non-defense industries by one-third effective June 16.

8 ALLIED FORCE of British and "Free French" troops invades French-mandated Syria. . . . American freighter, the *Robin Moor,* reported sunk by German submarine in the South Atlantic on May 21.

9 ACTING under Presidential proclamation of emergency, Army commandeers struck North American Aviation plant in California. . . . OPM extends priorities system to 40 additional items, bring total on list above 300.

10 NEAR-RECORD wheat crop of 901,699,000 bushels indicated by June conditions.

11 ZINC and scrap aluminum under full mandatory control. . . . President reports transference of $75,000,000 of supplies to British in first 80 days of lease-lend program and allocation of $4,200,000,000.

12 OPACS asks five automobile makers to withdraw immediately recent price increases of $15 to $53. . . . Paperboard industry sets voluntary price ceiling. . . . President names Harlan F. Stone as twelfth Chief Justice of Supreme Court; Senator Byrnes, Attorney-General Jackson as Associate Justices.

13 WAR DEPARTMENT seeks extension of automobile production cut to 50 per cent on 1942 models. . . . National metal salvage campaign in July to yield "approximately 200,000,000 pounds of aluminum."

14 CEILING of 15 cents a pound on hides fixed by OPACS. . . . President freezes assets of all nations of Continental Europe.

15 ITALY freezes American funds. . . . President appeals to labor and industry to end job discriminations against minority groups.

16 U. S. GOVERNMENT closes all German consular establishments in this country. . . . DuPont Co. lowers price on nylon yarn 10 to 30 cents per pound.

21 FORD signs union pact hailed as most far-reaching in motor industry; provides check-off on union dues, wages at least equal to highest in industry.

22 GERMANY opens blitzkrieg against Russia, non-aggression pact partner. . . . Britain pledges all aid to Russia to defeat Hitler.

23 GOVERNMENT corporation established as sole buyer of crude rubber.

24 FURNITURE manufacturers are requested by OPACS to cease "open" method of quoting prices and to consult with Government before any new advance.

25 MAJOR AUTOMOBILE CONCERN refuses to rescind price advance. . . . OPACS discusses price ceiling on new models in August.

26 ECONOMISTS of U. S. Department of Agriculture forecast 1941 national income of at least $85,000,000,000. . . . Finland enters war against Russia. . . . OPACS freezes prices of automobile tires and tubes at levels prevailing June 16.

27 AGREEMENT WITH CIO averts strike on New York City's unified transit system. . . . OPM plans 8 aluminum plants to produce 600,000,000 pounds annually

28 FOLLOWING reports of new price increases, OPACS asks FTC to investigate prices, costs, profits in furniture industry. . . . Price ceilings for 6 leading types of cotton cloth set about 15 per cent below current levels.

30 DEFENSE expenditures for fiscal year 1940-1941 total $6,505,000,000 of gross expenditures of $12,700,000,000. . . . Gross public debt $49,000,000,000. . . . Congress enacts biggest single appropriation bill, $10,385,000,000 for the Army.

HOBART

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Production has expanded further, although the strain of the supply problem is making itself felt and in mid-July there are signs that the rise has begun to slow down in some lines. Prices and price controls are increasing at an accelerated rate. Distribution is in the limelight, as retail trade stays close to the 1929 peak and retailers buying at Fall market events cover for further sharp sales gains.

BUSINESS has continued a vigorous expansion. Manufacturing plants started June at the highest level in history and made additional gains at a time when the usual tendency has been to slacken speed for the Summer period. The FRB index of industrial production adjusted for seasonal trends reached 156 in June, almost 30 per cent above its level in June 1940.

Despite the new record high for production, shipments were not yet the equal of incoming business. In key manufacturing lines the bank of unfilled orders exceeded last year's three and four times. There were, however, some indications that new bookings had started to slacken. Difficulties of obtaining raw materials had increased and particularly in metals lines many producers were now having to turn away additional civilian business. Reports of industrial purchasing agents in the Detroit and New England areas, moreover, show some tapering off in long-term advance buying. Whereas a month ago 67 per cent of the buyers in Detroit and 69 per cent in New England were buying ahead for more than three months, recently the proportion has dropped to 61 and 55 per cent.

There were few signs meanwhile of any let-up in retail demand. Automobile dealers, restricted by the early drop in 1941-model stocks, reported sales declining rapidly. But in general retailers found buying well ahead of seasonal expectations. Record demand for durable home furnishings was said to be warding off the usual Summer slump. In June retail sales averaged 24 per cent above last year and in early July the increase was even somewhat larger.

Retailers' own purchasing was in striking contrast to policies followed in 1940 Summer markets. Attendance at trade shows exceeded previous records and forward covering was so heavy that market reports sometimes referred to it as "panicky demand." It was feared that retail buyers were ordering in excess of needs on some items in the effort

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1938	1939	1940	1941
January	90	88	92	101
February	88	88	90	103
March	86	88	89	103
April	83	88	89	104
May	80	87	89	106
June	82	86	91	
July	83	87	92	
August	83	88	98	
September	85	90	97	
October	86	92	94	
November	87	93	100	
December	88	95	101	

Industrial Production

Federal Reserve Board Adjusted Index
1935-1939 = 100

	1938	1939	1940	1941
January	86	102	122	139
February	84	101	116	141
March	84	101	113	143
April	82	97	111	140
May	80	97	112	149
June	81	102	121	
July	86	104	121	
August	90	104	121	
September	92	113	125	
October	95	121	129	
November	100	124	132	
December	101	126	138	

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1938	1939	1940	1941
January	75.4	84.7	99.8	120.7
February	77.7	87.1	99.3	126.9
March	77.8	88.8	99.8	131.2
April	75.2	86.8	97.9	134.8
May	73.6	86.3	97.8	141.9
June	71.6	87.9	99.5	
July	71.7	85.8	98.2	
August	77.9	91.2	103.5	
September	82.3	95.4	111.6	
October	85.0	103.2	116.2	
November	85.3	103.2	116.4	
December	88.1	105.4	122.4	

to insure delivery of at least a portion. Sellers had already resorted to rationing and other checks to discourage speculative demand.

The continuing advance in prices was steadily bringing out more extensive and tighter controls by Government agencies. Administrative action extended further into the finished goods field, as OPACS sought to establish price ceilings on cotton goods, tires, automobiles, furniture, bread. Living costs, up more than 1 per cent in June alone, were now advancing almost as fast as factory wages. By mid-July wholesale food prices (DUN & BRADSTREET index) had risen 46 per cent over the pre-war level and the average of all wholesale prices (BLS index) was up 18 per cent.

Industrial activity: The expansion of industrial output has so far surpassed anything known previously that the quantity of goods now being produced exceeds the peak volume of 1937 by one-quarter and the previous record in 1929 by one-third.

During June production continued to rise and the FRB index, corrected for seasonal variation, reached 156 per cent of the 1935-1939 average. Although in the past some curtailment has been customary at this time of the year, there were no declines of importance from May to June in the major industrial classifications covered by the FRB. Heavy industries, already working at capacity in many instances, continued outstanding in the expansion.

In early July further increases were made in many lines. But there were signs that the strain of the abnormal demand on supplies and machinery had begun to tell. A particularly tight situation in metals was reacting first on durable consumers' goods. Defense needs now absorbed approximately 60 per cent of the entire steel production. Automobile schedules, declining rapidly as the model year drew to a close, dropped to 110,000 units weekly in mid-July from a high of 135,000 in mid-June. On the 20th of the month came an announcement from OPACS which indicated that the peak of the boom in these industries had already been passed: over the next twelve months production of automobiles, refrigerators, and laundry equipment is to be limited by a 50 per cent curtailment in their use of "scarce materials" needed for defense.

Consumer income: The largest advance in income payments ever recorded in a single month took place in May. Led by an especially rapid rise in employee income, total payments reached $6,868,000,000, and the adjusted index of income payments 127.7 (1935-1939 = 100), almost 3 points above the record set in 1929.

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Mar. 1941	Apr. 1941	May 1941	June 1941
I	80.5	82.2	83.2	85.9
II	80.6	82.9	84.0	86.7
III	80.9	83.0	84.6	87.2
IV	81.6	83.0	85.0	87.7
V	82.0		85.2	

Living costs were also advancing at a faster rate of speed. In May the NICB index showed a rise from 86.9 to 87.4; in June it was up more than a point to 88.5 (1923 = 100). Although still 11 per cent below the 1929 level, the index was now 5 per cent above the pre-war level.

Consumer spending: Retail trade activity continued at an exceptional rate in June as anticipatory purchasing added to the strong demand arising from enlarged incomes. Compared with June last year, the average increase in sales was 24 per cent (DUN'S REVIEW trade barometer). The adjusted index of department store sales (FRB) declined from 105 in May to 102 in June, but most other measurements of trade were higher, as rural retail trade, variety and grocery stores all gained contraseasonally.

Prices: Steadily adding to the rise which got under way early in the Spring, wholesale prices advanced 2 per cent more during June. In early July the advance continued and by mid-month the all-commodity index (USBLS) was 18 per cent above its level before the war. (For the first three July weeks, which do not appear on the chart, the index was 87.7, 88.1, and 88.3, respectively.)

Under the impetus of increased trading, stock prices extended the mild upturn of June. In the third week of July the industrial stock price average (Dow-Jones) was 127.79, the highest for any week since last January.

Banking and finance: Excess reserves of banks were further diminished by the growing demand for business loans. In June and the first half of July Federal Reserve reporting member banks expanded loans to business by $300,000,000, bringing to $5,988,000,000 the total of such loans held.

While corporate financing in June was somewhat less than in the previous month, issues for new capital increased to $90,466,785, which was one of the largest monthly totals in recent years. The railroads were particularly active, accounting for more than half of the new capital issue.

Industrial Stock Prices

Dow-Jones Index (Weekly Average)

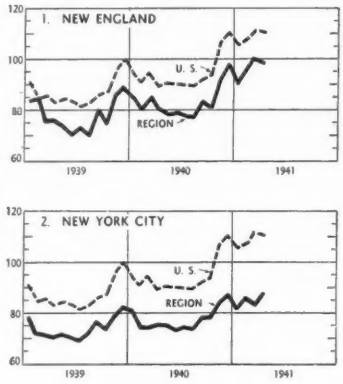
Week	Mar. 1941	Apr. 1941	May 1941	June 1941
I	122.10	123.84	115.91	117.71
II	121.17	120.59	116.69	121.93
III	123.14	117.78	116.51	122.79
IV	123.15	118.47	116.97	123.59
V	122.71		115.91	

THE REGIONAL TRADE BAROMETERS

Trends in consumer purchasing in the 29 barometer regions are summarized on the opposite page. Charts on this page and pages 30, 32, and 33 compare the index for each region with the index for the United States since 1939. The accompanying paragraphs give more recent detail about regional trade conditions.

Charts of the indexes since January 1929, appeared in the March 1941 number and will be published again in September. Additional information about the barometers and about their especial usefulness in regional sales quota work, back figures and data on regional boundaries are available for users of the indexes.

ADJUSTED FOR SEASONAL VARIATION: 1928-32 = 100



1. New England

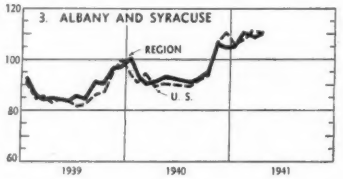
APR., 99.1 MAR., 100.0 APR. 1940, 80.1
UNADJUSTED: APR., 107.8; MAR., 92.6

MAY—Percentage retail trade increases over previous May: Bangor–Portland 10, Hartford 40, Boston 15, Worcester–Springfield–Providence 20, New Bedford 30, New Haven 25. Wholesale trade increases: Portland–Boston–Springfield 10. Farm labor shortage near industrial centers. Payrolls and production well above last year, up again in month. Output of aircraft and small tool plants expanding rapidly. Textile operations best in years. Rhode Island and Massachusetts factory payrolls at new highs. Record shoe output for month. Collections steady to better than 1940. JUNE—Retail sales 20% above 1940. Paper mill activity at high level.

2. New York City

APR., 88.0 MAR., 83.1 APR. 1940, 75.8
UNADJUSTED: APR., 92.5; MAR., 84.3

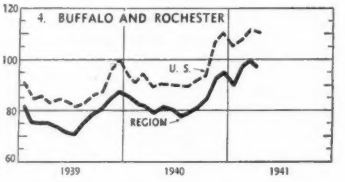
MAY—Percentage retail trade increases over previous May: Bridgeport 40, New York City department store sales 14, hotel sales 2. Payrolls and production well above a year ago, up in month in Bridgeport. New York City payrolls increased slightly in month, although employment dropped somewhat due to seasonal losses in apparel, printing, furniture, and candy firms. Large order backlogs in cotton converting, knit goods, women's sportswear, work clothes, rayon, metal, plastics, and hardware lines. Collections steady to better than last year. JUNE—New York City department store sales up about 10% over 1940; food sales up 12%.



3. Albany and Syracuse

APR., 110.5 MAR., 109.0 APR. 1940, 91.5
UNADJUSTED: APR., 113.8; MAR., 104.9

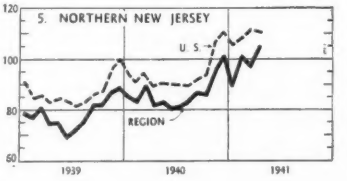
MAY—Percentage retail trade increases over previous May: Albany 10, Binghamton 20, Utica 15, Syracuse 29. Wholesale trade increases: Albany 25, Syracuse 22. Prolonged dry spell hurt crops. Payrolls and production higher in month. Payrolls increased 77% over 1940 in Albany–Schenectady–Troy area, 42% in Syracuse, 72% in Utica, 49% in Binghamton. Utica factories operating near capacity. Binghamton shoe plants continue five-day week; business machine plants on 50-hour week. Collections generally better than 1940. JUNE—Bank clearings 20% above 1940 in Syracuse, 13% in Binghamton. Binghamton bus driver strike somewhat affected retail trade.



4. Buffalo and Rochester

APR., 97.3 MAR., 99.3 APR. 1940, 79.6
UNADJUSTED: APR., 102.8; MAR., 95.1

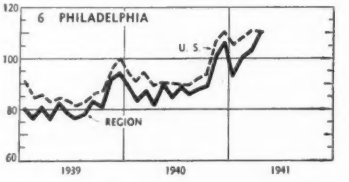
MAY—Percentage retail trade increases over previous May: Buffalo 12, Elmira 25, Rochester 15. Buffalo wholesale trade up 10%. Payrolls and production substantially ahead of last year, up in month. Payrolls at record levels in Rochester and Buffalo. Heavy industries and other concerns with defense orders rapidly increasing output. Buffalo steel rate held at 105% of capacity. Value of Niagara Falls building permits more than double last year. Rochester shoe factories seasonally slower. Collections steady to better than 1940. JUNE—Outdoor employment in building and road improvement increasing rapidly. Buffalo retail trade up 12% from 1940.



5. Northern New Jersey

APR., 105.6 MAR., 97.9 APR. 1940, 81.8
UNADJUSTED: APR., 107.1; MAR., 95.2

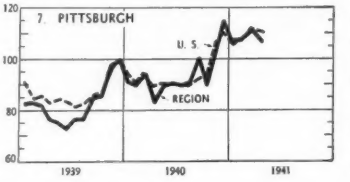
MAY—Newark retail trade 16% above last May, wholesale trade up 10%. Payrolls and production much better than a year ago and increased in month. Aircraft plants and shipyards continue capacity operations. Other manufacturing very active. An influx of 30,000 workers will be needed. Sales of drug manufacturers double last year. Bank clearings 4% above 1940 in Northern New Jersey as a whole; up 19% in Newark alone. Newark building permits $4,781,202 against $274,566 last year. Collections better than 1940. JUNE—Bad weather slowed retail sales; volume moderately above last year. Production and employment still rising.



6. Philadelphia

APR., 110.0 MAR., 102.6 APR. 1940, 81.9
UNADJUSTED: APR., 115.7; MAR., 100.2

MAY—Percentage retail trade increases over previous May: Trenton 15, Allentown–Wilmington 25, Philadelphia–Reading 20, Scranton 5, Wilkes-Barre 10, Harrisburg 20. Philadelphia wholesale trade up 30%. Dry weather retarded crops. Payrolls and production generally above a year ago, frequently up in month. Textiles, heavy industry, paper, and chemical manufacturers very active. An influx of 90,000 workers will be needed. Small defense contracts awarded in Lancaster. Hard coal output up in month; below last May. Record employment in Reading. Collections steady to better than 1940. JUNE—Philadelphia retail trade 10 to 12% above 1940.

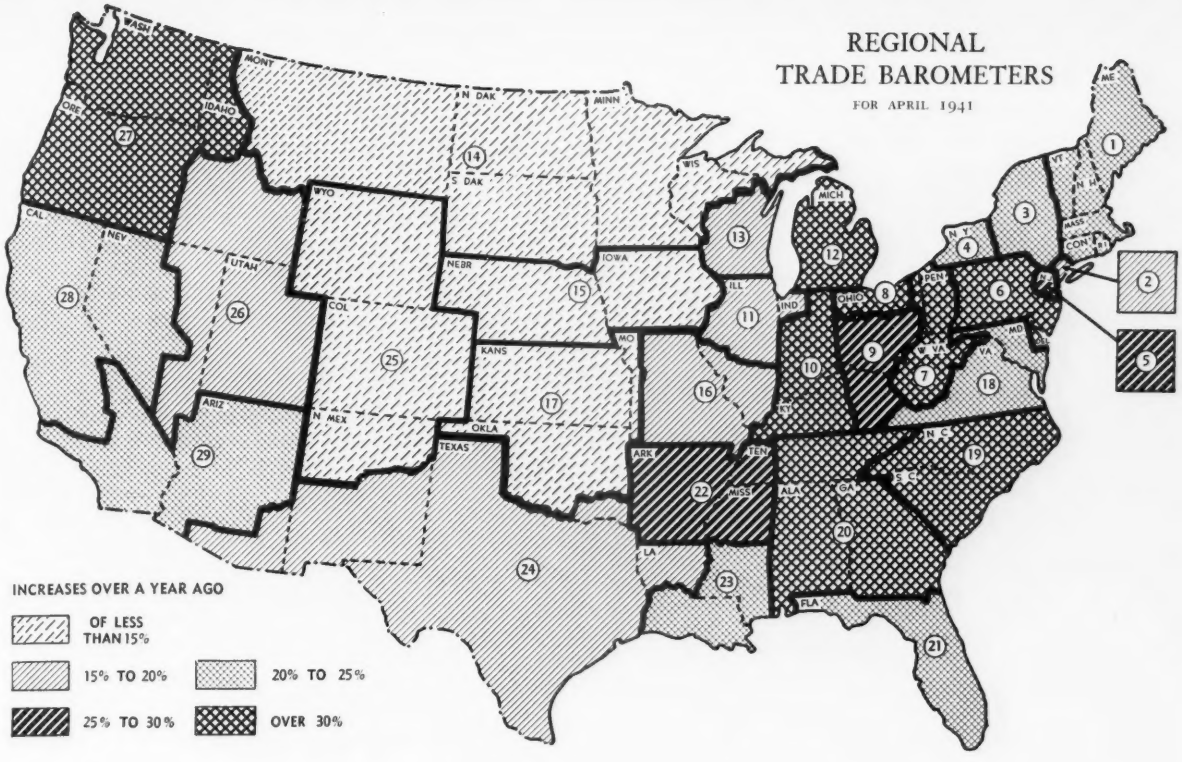


7. Pittsburgh

APR., 109.1 MAR., 111.1 APR. 1940, 83.4
UNADJUSTED: APR., 114.7; MAR., 101.7

MAY—Percentage retail trade increases over previous May: Erie 36, Pittsburgh 14, Youngstown 30, Charleston 10; Huntington off 5. Wholesale trade increases: Erie 18, Pittsburgh 20, Charleston 15. Payrolls and production generally above last year, below in Huntington. Steel mill output at peak levels; other heavy industries at capacity. Beehive coke output well above a year ago. Defense orders of $12,000,000 awarded in Pittsburgh area bringing total to $141,000,000. Collections vary. JUNE—Pittsburgh trucking strike involved 250,000 workers, tied up shipments. Retail trade up 12 to 15% over 1940 in Pittsburgh, up 33% in Erie.

(Continued directly opposite)



CONSUMER BUYING BEST SINCE 1929

The United States Trade Barometer (seasonally adjusted) rose to 113.0 in May from 110.7 in April. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by branch offices of DUN & BRADSTREET, INC.

THE STEADY upward surge in retail spending has lifted dollar volume to within a short distance of the 1929 record and unit sales to a new all-time high for this season. In May the U. S. trade barometer surpassed the 1930 level for the first time and touched 113.0 which compared with 111.4 in May 1930 and 121.3 in May 1929.

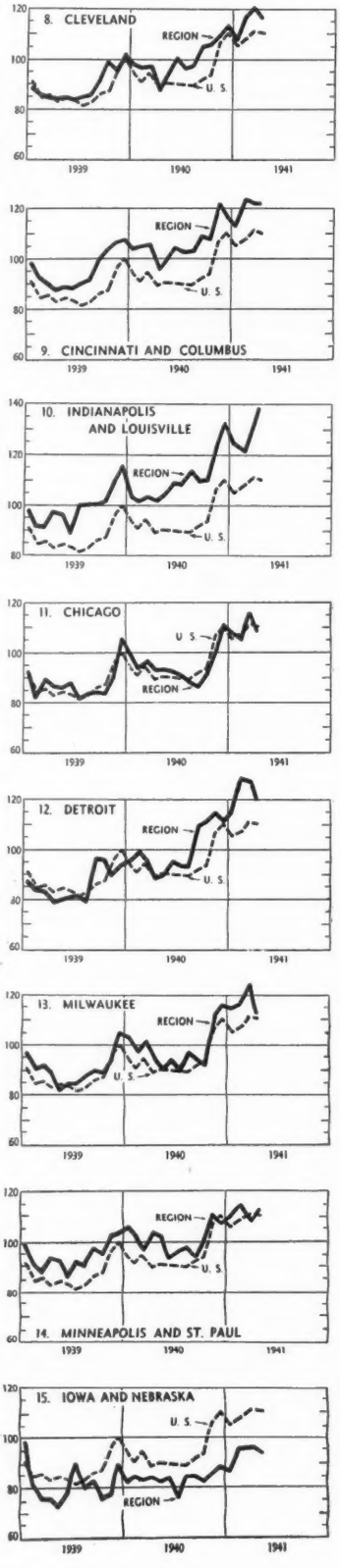
Vigorous buying continued to spur sales in June. According to preliminary estimates, the trade index was unchanged at the May level and held a 24 per cent gain over a year ago. Anticipatory purchasing against price rises and shortages was undiminished in many lines and an unusually early interest developed in Fall items such as carpets and women's fur-trimmed coats. Automobiles, housefurnishings, and electrical appliances again were outstanding volume sellers although sales were slowed in some centers by depleted stocks and delayed deliveries.

Vagaries of the weather hit some lines, especially apparel and accessories. Cold rainy days hampered sales early in June, but a prolonged heat wave in the latter half of the month sent customers scrambling for sportswear, beach and vacation articles. A very satisfactory demand for such seasonal items as bridal dresses, graduation, and wedding gifts also swelled trade totals.

Unusually heavy purchasing in May boosted sales to the peak for the year to date, despite the generous Easter spending in April, and sales exceeded seasonal expectations. The seasonally adjusted trade barometer advanced to 113.0 from 110.7, a rise of 2 per cent. Exceptional demand for durable goods and brisk apparel buying were largely responsible for the gain.

As retail spending moved closer to peak levels in May and June, regional trade gains were more widespread. The Pacific Coast and Southwest joined the Middle West, East, and New England in reporting substantial increases over

ADJUSTED FOR SEASONAL VARIATION: 1928–32 = 100



8. Cleveland

APR., 117.2 MAR., 120.7 APR. 1940, 88.8
UNADJUSTED: APR., 128.9; MAR., 119.5

MAY—Percentage retail trade increases over previous May: Cleveland 20, Akron 35, Canton 50, Toledo 20, Lima 10. Wholesale trade increases: Cleveland 30, Akron 10, Toledo 15. Crops suffered from lack of rain. Payrolls and production much better than last year, above last month. Employment 30% above last year in Canton, 29% in Cleveland. Metal working, rubber, steel, and airplane parts industries exceptionally active. Synthetic rubber plant construction started in Akron. Propeller plant employing 2,500 to be built in Toledo. Collections better than 1940. JUNE—Cleveland department store sales up 7 to 10% from 1940; steel rate at 97% of capacity.

9. Cincinnati and Columbus

APR., 122.0 MAR., 122.1 APR. 1940, 96.8
UNADJUSTED: APR., 126.9; MAR., 125.8

MAY—Percentage retail trade increases over previous May: Cincinnati–Springfield 20, Dayton 40, Columbus 30, Zanesville 5. Wholesale trade increases: Cincinnati 15, Columbus 20. Corn crop prospects good. Dairy and poultry prices rising. Farm income above 1940. Payrolls and production well ahead of last year, generally increased in month. Dayton defense contracts amount to about one-fourth yearly factory output. Production of defense materials especially machine tools and aircraft accessories at a very high rate, steadily expanding. Collections better than last year. JUNE—Cincinnati retail trade 15% above 1940. Rains benefited crops.

10. Indianapolis and Louisville

APR., 138.9 MAR., 128.5 APR. 1940, 101.8
UNADJUSTED: APR., 143.3; MAR., 129.3

MAY—Percentage retail trade increases over previous May: Louisville 30, Evansville 20, Indianapolis 25, Terre Haute 5, Fort Wayne 40. Wholesale trade increases: Louisville–Indianapolis 25. Crops suffered from lack of rain; farm prices increased. Payrolls and production above last year, generally above last month. Fort Wayne industrial employment at all-time high. Airplane engine and metal furniture factories very active. New $1,000,000 koroseal plant to be built in Louisville. Collections steady to better than 1940. JUNE—Retail trade up 25 to 30% over 1940 in Louisville, 10% in Indianapolis. Rain improved crop conditions.

11. Chicago

APR., 108.0 MAR., 115.1 APR. 1940, 93.3
UNADJUSTED: APR., 112.8; MAR., 112.3

MAY—Percentage retail trade increases over previous May: Chicago 22, Rockford 40, Peoria 25, South Bend 43, Springfield 20. Chicago wholesale trade up 10%. Farm prices rising. Payrolls and production above last year, generally above last month. Illinois factory payrolls and employment at new high. Substantial employment gains in metal and machinery, glass, chemicals, paper, printing, textile, and food concerns. Chicago steel rate at 102% of capacity. Construction very active in Chicago, South Bend, Rockford. Collections steady to better than 1940. JUNE—Chicago department store sales about 10% ahead of last year; bank clearings up 25%.

12. Detroit

APR., 120.7 MAR., 126.6 APR. 1940, 90.4
UNADJUSTED: APR., 129.1; MAR., 122.8

MAY—Percentage retail trade increases over previous May: Detroit 20, Saginaw 10, Grand Rapids 17. Wholesale trade increases: Detroit 14, Grand Rapids 15. Yield of early crops satisfactory; prices steady with last year. Payrolls and production better than last year, generally higher in month. Furniture factories operating at a very good rate. Metal trades working full time, labor supply tight. Automobile production at year's peak, 33% above 1940. Detroit steel rate advanced to 102% of capacity. Collections steady to better than last year. JUNE—Auto output increased to new high for 1941. Detroit retail trade over 20% ahead of last year.

13. Milwaukee

APR., 112.9 MAR., 123.3* APR. 1940, 94.3
*UNADJUSTED: APR., 119.7; MAR., 118.6**

MAY—Percentage retail trade increases over previous May: Milwaukee 25, Green Bay 15, Madison 20. Milwaukee wholesale trade up 25%. Crop prospects very good; prices strengthening. Dairy prices better than 1940. Payrolls and production well above a year ago, advanced in month. Industrial centers very active; employment and payrolls at record highs in Milwaukee, Racine, and Beloit. Green Bay paper mills operating at a high rate. Value of Madison building permits more than double 1940. Collections steady to better than 1940, improved in month in Green Bay. JUNE—Milwaukee department store sales up 7 to 16% from 1940; bank clearings up 6%.

*Revised.

14. Minneapolis and St. Paul

APR., 113.1 MAR., 108.5 APR. 1940, 103.5
UNADJUSTED: APR., 115.4; MAR., 105.7

MAY—Percentage retail trade increases over previous May: Duluth 4, Minneapolis 6, St. Paul 10, La Crosse 14, Fargo 3, Sioux Falls 5, Billings–Butte 9; Great Falls off 5. Wholesale trade changes: Duluth +7, Minneapolis +8, Great Falls —5. Soil and early crop conditions excellent; moisture ample. Livestock and dairy prices better than 1940. Payrolls and production steady to better than a year ago. Duluth ore shipments triple 1940. Garment output well ahead of last year. Employment increased in packing plants and mines. Copper mines working 24-hour day. Collections vary. JUNE—St. Paul retail trade 8% above 1940; factories running full time.

15. Iowa and Nebraska

APR., 94.7 MAR., 95.5 APR. 1940, 84.8
UNADJUSTED: APR., 99.3; MAR., 89.7

MAY—Percentage retail trade increases over previous May: Burlington 20, Cedar Rapids 27, Lincoln–Omaha 5, Davenport–Waterloo 15, Dubuque 30, Des Moines 12, Sioux City 14. Wholesale trade increases: Sioux City–Des Moines 8, Omaha 15. Wheat crop fair; corn late. Corn and hog prices best in years. Payrolls and production steady to better than last year. Cedar Rapids machinery plants working overtime; food processors contra-seasonally active. Increased output in Waterloo, meat packing and tractor concerns. Collections steady to better than 1940. JUNE—Wind and rain severely damaged crops in southern Nebraska. Omaha bank clearings up 20% from 1940.

last year, while the South remained outstandingly strong and trade in many centers held at the best level in history.

Consumer buying reached an all-time high for the month in ten regions, six of which were Southern, according to the seasonally adjusted trade barometers for twenty-nine regions now available for April. The Southern regions were Maryland and Virginia, the Carolinas, Atlanta and Birmingham, Florida, Memphis, and New Orleans; the other four were Indianapolis and Louisville, Milwaukee, Texas, and Portland and Seattle.

Twenty of the twenty-nine regions registered increases of more than 20 per cent over April 1940. Indianapolis and Louisville led with a rise of 36 per cent. In only four regions was the gain in trade less than 15 per cent. Located in the Northwest and Southwest, these regions were Minneapolis and St. Paul, Iowa and Nebraska, Kansas City, and Denver.

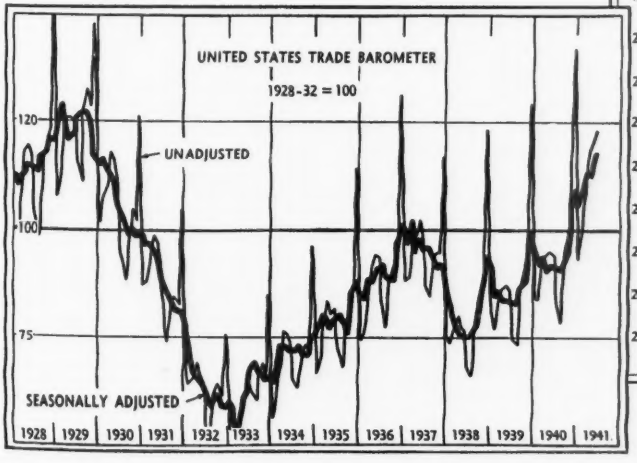
The seasonally adjusted U. S. trade barometer declined 1 per cent in April from March, but in thirteen regions, found chiefly in the East, in the South, and on the Pacific Coast, the indexes advanced.

(Charts and trade reports for each region begin on page 28)

THE MAP AND CHART compare the April, 1941, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1939, on pages 28, 30, 32, 33. They are composites based on bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which made those indexes more accurate, are included. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before regional figures are available.

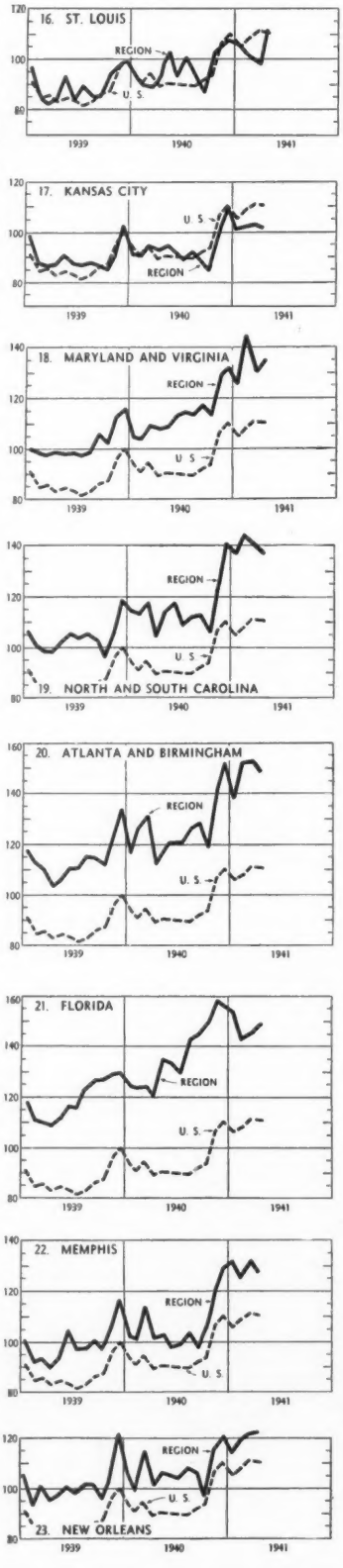
THE PARAGRAPHS which are printed opposite the twenty-nine regional charts quote figures for the month of May and for the first half of June based upon opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

Region	April 1941 Regional Index	Apr. 1941 Compared with Apr. 1940 (%)	Retail 1935 Sales %
U. S.	110.7	+23.3	100.0
1. NEW ENGLAND	99.1	+23.7	7.8
2. NEW YORK CITY	88.0	+16.1	10.3
3. ALBANY AND SYRACUSE	110.5	+20.8	2.5
4. BUFFALO AND ROCHESTER	97.3	+22.2	1.9
5. NORTHERN NEW JERSEY	105.6	+29.1	2.9
6. PHILADELPHIA	110.0	+34.3	6.2
7. PITTSBURGH	109.1	+30.8	3.7
8. CLEVELAND	117.2	+32.0	2.9
9. CINCINNATI AND COLUMBUS	122.0	+26.0	3.1
10. INDIANAPOLIS AND LOUISVILLE	138.9	+36.4	2.6
11. CHICAGO	108.0	+15.8	6.4
12. DETROIT	120.7	+33.5	4.0
13. MILWAUKEE	112.9	+19.7	2.2
14. MINNEAPOLIS AND ST. PAUL	113.1	+ 9.3	4.5
15. IOWA AND NEBRASKA	94.7	+11.7	3.0
16. ST. LOUIS	111.9	+19.8	2.5
17. KANSAS CITY	101.9	+ 9.6	3.6
18. MARYLAND AND VIRGINIA	134.7	+24.0	3.8
19. NORTH AND SOUTH CAROLINA	137.4	+31.5	2.1
20. ATLANTA AND BIRMINGHAM	148.9	+33.3	3.5
21 FLORIDA	148.9	+24.1	1.3
22. MEMPHIS	128.6	+26.8	1.5
23. NEW ORLEANS	122.2	+20.9	1.0
24. TEXAS	130.9	+19.2	4.5
25. DENVER	115.1	+12.6	1.3
26. SALT LAKE CITY	108.8	+15.5	.8
27. PORTLAND AND SEATTLE	123.2	+34.8	2.7
28. SAN FRANCISCO	109.3	+22.4	3.4
29. LOS ANGELES	110.4	+22.0	3.9

ADJUSTED FOR SEASONAL VARIATION: 1928-32 = 100



16. St. Louis

APR., 111.9 MAR., 99.1 APR. 1940, 93.4
UNADJUSTED: APR., 117.8; MAR., 104.7

MAY—Percentage retail trade increases over previous May: St. Louis 20, Quincy 15, Springfield 35. St. Louis wholesale trade up 20%. Winter wheat production much below 1940. Cotton crop late due to weather. Payrolls and production better than a year ago, up in month in Springfield. Heavy industry at or near capacity. St. Louis steel rate held at 111% of capacity. Defense contracts stimulating activity. Construction very active in Springfield; work on large Army hospital absorbing unemployed. Collections generally better than 1940. JUNE—St. Louis retail trade 5 to 15% above 1940. Shoe output at all-time high for season.

17. Kansas City

APR., 101.9 MAR., 102.8 APR. 1940, 93.0
UNADJUSTED: APR., 103.8; MAR., 99.6

MAY—Percentage retail trade increases over previous May: Kansas City 17, St. Joseph 20, Topeka 12, Wichita 22, Oklahoma City 10, Tulsa 15. Wholesale trade increases: Kansas City 15, Oklahoma City 5. Kansas wheat crop largest in ten years. Payrolls and production steady to better than last year, up in month in Kansas City, Wichita, and Tulsa. Flour milling 11% above 1940. Kansas City steel plant expansion of $1,000,000 planned. Railway shops operating full time. Construction started on $1,200,000 housing project in Wichita. Collections vary. JUNE—Rains badly damaged wheat fields. Kansas City department store sales 11% above 1940.

18. Maryland and Virginia

APR., 134.7 MAR., 131.4 APR. 1940, 108.6
UNADJUSTED: APR., 135.5; MAR., 128.0

MAY—Percentage retail trade increases over previous May: Baltimore 15, Washington–Roanoke 20, Norfolk 25, Richmond 8, Lynchburg 12, Bristol 4. Wholesale trade increases: Baltimore 8, Norfolk 25, Richmond 12. Extremely dry weather damaged crops considerably, delayed tobacco planting. Payrolls and production steady to better than last year. Steel, aviation, shipyards, and cotton and rayon textiles stepped up activity. Furniture and cigarette factories continued at high levels. Garment and shoe concerns operating full time. Collections steady to better than 1940. JUNE—Baltimore department store sales 5% or more above 1940; bank clearings up 50%.

19. North and South Carolina

APR., 137.4 MAR., 140.4 APR. 1940, 104.5
UNADJUSTED: APR., 140.4; MAR., 135.5

MAY—Percentage retail trade increases over previous May: Asheville–Charlotte 10, Winston-Salem 15, Raleigh 5, Wilmington 20, Charleston 28, Columbia 18, Greenville 34. Wholesale trade increases: Wilmington 15, Winston-Salem 12, Charleston 18. Hot dry weather severely damaged potato crop, retarded tobacco planting, cotton growth. Payrolls and production generally above last year, steady in Raleigh. Textile mills running full time. Increased construction of both plants and housing units to alleviate shortages. Collections steady to better than 1940. JUNE—More defense orders to textile mills. Charleston bank clearings up 34% from 1940.

20. Atlanta and Birmingham

APR., 148.9 MAR., 153.4 APR. 1940, 111.7
UNADJUSTED: APR., 152.5; MAR., 151.6

MAY—Percentage retail trade increases over previous May: Columbus 25, Savannah 45, Mobile–Chattanooga–Nashville 15, Atlanta 23, Macon 40, Birmingham 20, Montgomery 12, Knoxville 21, Augusta 10. Wholesale trade increases: Birmingham–Nashville 10, Atlanta 9. Heat and lack of rain badly damaged all crops. Payrolls and production steady to better than last year. Most military camps in Atlanta area completed; lumber output levelling off. Record textile activity. Shipyards at capacity. Collections generally better than 1940. JUNE—Cotton mill activity sharply curtailed by drought. Atlanta department store sales 17 to 21% above 1940.

21. Florida

APR., 148.9 MAR., 144.5 APR. 1940, 120.0
UNADJUSTED: APR., 156.0; MAR., 167.5

MAY—Percentage retail trade increases over previous May: Jacksonville 20, Miami 35, Tampa 18. Wholesale trade increases: Jacksonville 19, Tampa 27. Rural areas not affected by defense program less active. Citrus shipments seasonally light. Vegetable shipments declining, prices good. Payrolls and production better than a year ago. Dry weather stimulated lumber and naval stores production. Cigar output good, 14% above 1940 in Tampa. Citrus canners working full time. Value of Jacksonville building permits more than double 1940. Collections steady with last year. JUNE—Jacksonville bank clearings continue to run more than 30% above a year ago.

22. Memphis

APR., 128.6 MAR., 132.3 APR. 1940, 101.4
UNADJUSTED: APR., 122.4; MAR., 122.1

MAY—Percentage retail trade increases over previous May: Memphis 8, Fort Smith 20, Little Rock 25. Memphis wholesale trade up 5%. Drought affected general crop conditions; damage not serious. Beans and tomatoes late. Cotton prices advanced. Payrolls and production above last year, above last month in Little Rock. Furniture, glass, and stove factories continue very active. Two new canning plants being built in Fort Smith. Construction about to start on $33,000,000 munitions plant near Little Rock. Collections generally better than a year ago. JUNE—Memphis department store sales up 18 to 34% from last year. Hot dry weather continues.

23. New Orleans

APR., 122.2 MAR., 121.8 APR. 1940, 101.1
UNADJUSTED: APR., 125.0; MAR., 114.5

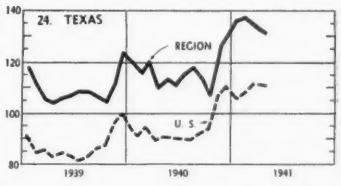
MAY—Percentage retail trade increases over previous May: New Orleans 20, Jackson 10. New Orleans wholesale trade up 15%. Large trade increases in several centers with large troop encampments far outweigh losses in some rural areas. General crop conditions satisfactory. Good garden truck yield. New Orleans shipbuilding very active. Construction work continues at a fast pace, stimulating activity in building supply lines. Value of building permits was more than double 1940 in New Orleans, up 31% in Jackson. Collections steady with a year ago. JUNE—Bank clearings up 30% over last year in New Orleans, off 7% in Vicksburg.

ADJUSTED FOR SEASONAL VARIATION; 1928-32=100

24. Texas

APR., 130.9 MAR., 133.6 APR. 1940, 109.8
UNADJUSTED: APR., 130.4; MAR., 130.7

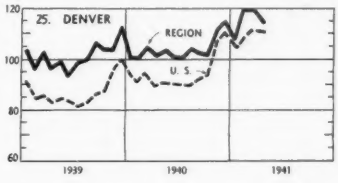
MAY—Percentage retail trade increases over previous May: Dallas 12, Fort Worth 30, El Paso 27, Houston 15, Beaumont 20, Waco 27, Austin–Shreveport 5, San Antonio 45. Wholesale trade increases: Dallas 10, Houston–Shreveport 5, San Antonio 43, Fort Worth 20. Harvesting of wheat crop started. Farm income 20% above 1940. Payrolls and production generally above a year ago. Steel, aircraft, lumber, and building industries very active. Construction of $22,000,000 project in Wichita Falls started. Oil and gas industry continued to improve. Collections steady to better than last year. JUNE—Dallas department store sales up about 20% from 1940.



25. Denver

APR., 115.1 MAR., 119.6 APR. 1940, 102.2
UNADJUSTED: APR., 116.4; MAR., 110.3

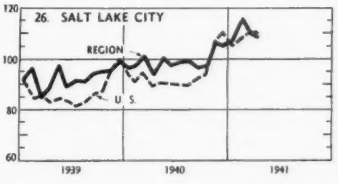
MAY—Percentage retail trade increases over previous May: Denver 13, Albuquerque 5. Denver wholesale trade up 9%. Trade in rural New Mexico slow. Crop conditions good despite some damage from flood. Payrolls and production generally better than a year ago, lower in Albuquerque where strikes and flood closed lumber mills. Defense work stimulating Denver heavy industries; operations at capacity. Increased construction absorbed many workers. Livestock slaughter, flour, zinc, petroleum output better than 1940. Collections steady to better than last year. JUNE—Denver retail trade about 10% above 1940; near-record bank deposits.



26. Salt Lake City

APR., 108.8 MAR., 110.6 APR. 1940, 94.2
UNADJUSTED: APR., 108.4; MAR., 103.3

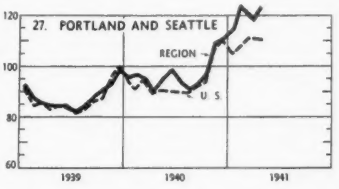
MAY—Salt Lake City retail trade 10% above a year ago, down 4% from April. Wholesale trade up 15% from last May, 5% from April; best gains in durable goods. Crop and range conditions very good. Winter wheat yield better than 1940. Payrolls and production above a year ago, advanced slightly in month. Expansion continued to be concentrated principally in heavy machinery and industrial lines, also construction materials in demand for defense. Bank clearings increased 21% over last year in Salt Lake City, 27% in Ogden. Collections better than 1940. JUNE—Salt Lake City department store sales 11 to 15% above 1940; bank clearings up 20%.



27. Portland and Seattle

APR., 123.2 MAR., 118.9 APR. 1940, 91.4
UNADJUSTED: APR., 125.5; MAR., 118.2

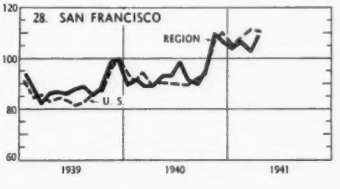
MAY—Percentage retail trade increases over previous May: Seattle 30, Tacoma 35, Portland 20, Spokane 10. Seattle and Portland wholesale trade up 10%. Berry, hay, and grain crop prospects best in years. Fruit crop even with 1940. Production and payrolls generally above 1940; payrolls lower in Spokane with woodworking plant employees and bus drivers on strike. Labor dispute in Washington lumber industry cut production. Airplane output again increased. Pulp mills at capacity. Salmon and spinach packing plants seasonally active. Collections steady to better than 1940. JUNE—Portland retail trade up 10 to 15% from last year. Lumber strike continues.



28. San Francisco

APR., 109.3 MAR., 102.7 APR. 1940, 89.3
UNADJUSTED: APR., 107.7; MAR., 103.6

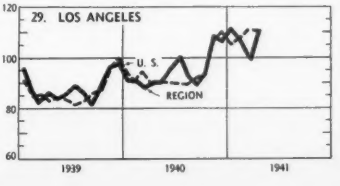
MAY—Percentage retail trade increases over previous May: San Francisco–Oakland 20, Sacramento 12, Fresno 14. San Francisco wholesale trade up 35%. Crop conditions spotty. Grain and peach yields below last year. Grape outlook good. Payrolls and production steady to better than 1940. Shipbuilding strike continued. Output in other defense industries increased. Asparagus canning seriously curtailed by strike. Building active. Increased Army personnel near Sacramento aiding retail trade. Collections steady to better than 1940. JUNE—Farm prices up, better than last year. San Francisco department store sales 16% above 1940.



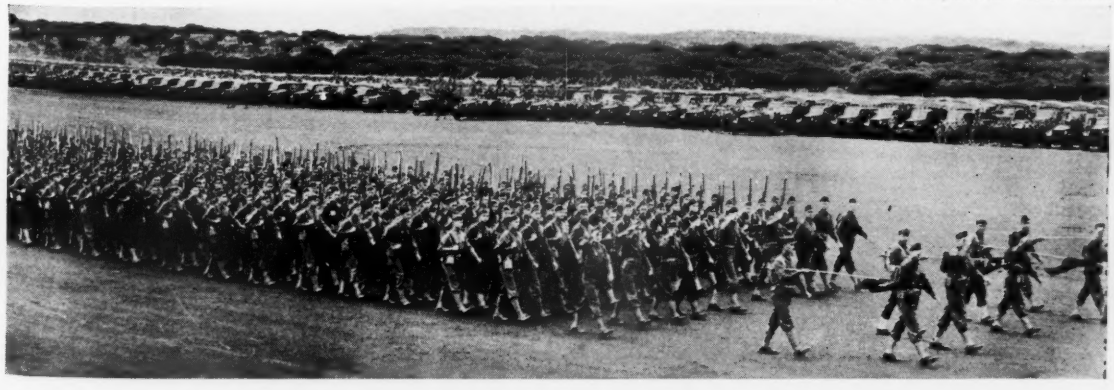
29. Los Angeles

APR., 110.4 MAR., 100.4 APR. 1940, 90.5
UNADJUSTED: APR., 109.7; MAR., 102.6

MAY—Percentage retail trade increases over previous May: Los Angeles 25, San Diego 60, Phoenix 27. Los Angeles wholesale trade up 27%. General yield situation satisfactory. Record orange sales. Farm prices increased in month. Payrolls and production well above last year. Aircraft output slowed by strike; production in other defense lines again expanded. Construction very active. San Diego needs 51,000 more workers by 1942. Motion picture production at record high. Copper mining active. Los Angeles county employment at new peak. Collections steady to better than 1940. JUNE—Los Angeles retail sales up 15 to 20% from last year. Increased building.

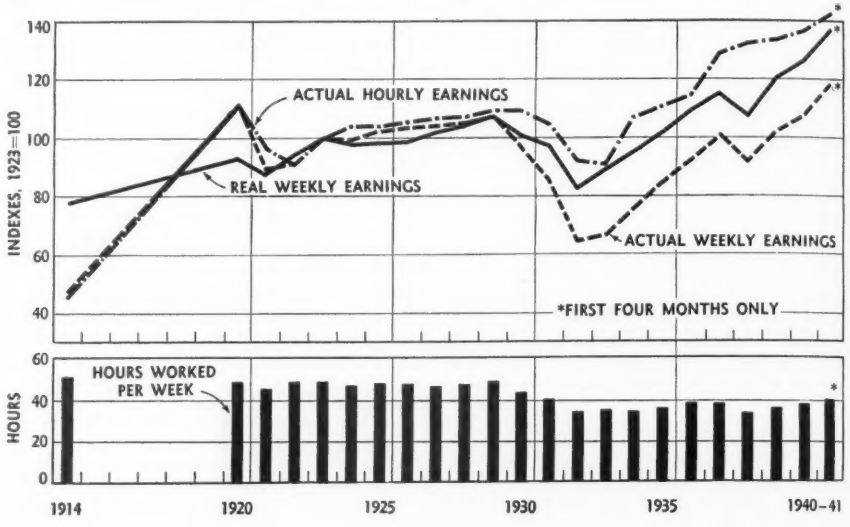


ARMY TRAINING CAMP, FORT ORD—HARRIS & EWING



THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD



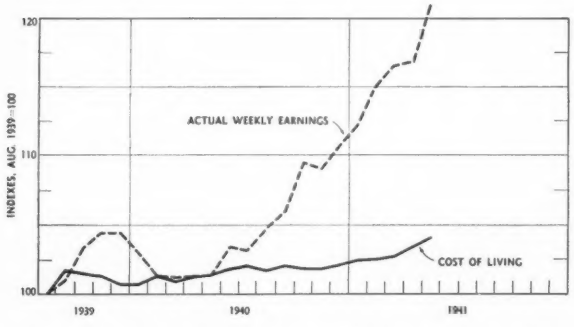
ACTUAL HOURS WORKED AND FACTORY WORKERS' EARNINGS—*1923 = 100—1914-1941—National Industrial Conference Board—Wage rates, measured by actual money and what it will buy, are at record highs while wage earners are working seven hours less than in 1929.*

Workers' Buying Power at Record High

RECORD WAGE LEVELS and the relatively low cost of living enable factory workers to buy more with their wages than at any previous time in our history. Real weekly earnings, that is actual weekly earnings adjusted for changes in the cost of living, have been reaching new highs since 1939. In May real earnings were 13 per cent above the average for the year 1940, 33 per cent above the 1929 average, and 53 per cent above the year 1920, according to a compilation for 25 industries by the National Industrial Conference Board.

The lengthened work week as production expanded, which by May was 41 hours for industry generally as against not quite 38 last year, raised earnings substantially through overtime payments in some industries. By May actual weekly earnings were 21 per cent above the pre-war level, while the cost of living had risen by only 4 per cent.

Pay increases evident in the movement of hourly wage rates also contributed to the larger weekly pay envelopes. Hourly wage rates have moved up consistently since the depression low in 1933, unaffected even by the influences of the sharp business recession in 1938. As compared with a 1929 peak of 109, the index of hourly wages stood at 137 in 1940, while weekly wage rates were 107 in both years, reflecting the change from an industry-wide average 48-hour week in 1929 to 39 hours in 1940. By May of this year the wage rate index—still rising—had touched 148 (1923=100); actual weekly earnings had reached 125 and real weekly earnings a new high at 142.



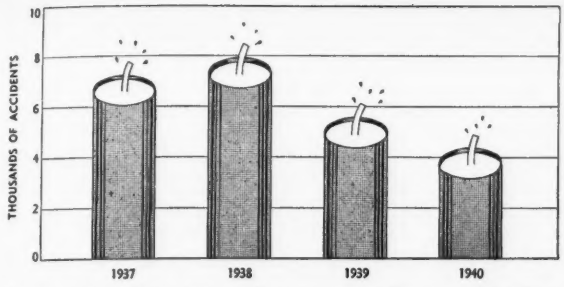
COST OF LIVING AND WAGE EARNERS' ACTUAL WEEKLY EARNINGS—*August 1939 = 100—National Industrial Conference Board—Since the outbreak of war wage increases have so far outstripped the rise in living costs that real earnings in the period have advanced by 13 per cent.*

Fireworks Casualties

SAFER AND SANER Fourth of July campaigns and replacement of the giant firecracker with athletic contests and picnics have substantially reduced the number of accidents due to fireworks and firearms on Independence Day.

Casualties in 1940 numbered 4,347 or one-fifth less than in 1939 and almost 50 per cent less than in the bad year 1938, when accidents reached 7,951. Most of the casualties are injuries—there were 20 deaths in 1940—and injuries were mainly burns and lacerations. The figures, compiled by the American Medical Association, are based upon newspaper reports and questionnaires sent to hospitals.

Recent agitation against the hazard of fireworks has



ACCIDENTS FROM FIREWORKS AND FIREARMS DUE TO FOURTH OF JULY CELEBRATIONS—*1937-1940—The American Medical Association—Safer celebrations have reduced casualties by nearly 50 per cent since 1938.*

led to the enactment of prohibitory laws in six States since 1937, bringing to nine the number with such legislation. They are Indiana, Iowa, Delaware, Michigan, New Jersey, New York, Pennsylvania, Utah, and West Virginia. When properly enforced, prohibitory legislation has forced a sharp decrease in Fourth of July accidents.

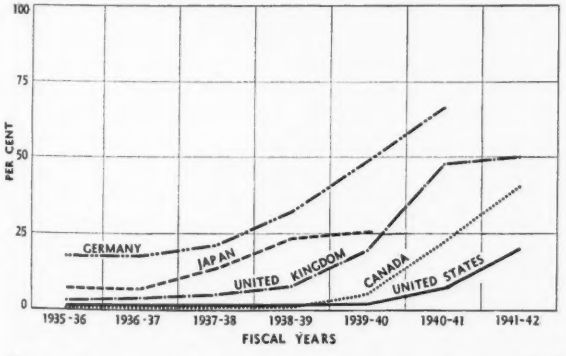
Measuring the War Effort

COMPARATIVELY SPEAKING, the United States will not have to pull its belt in very tight because of the defense effort in 1941-1942, according to Mr. Henderson of OPACS, for military expenditures will equal only 20 per cent of our national income, a small amount against well over 50 per cent in Germany, fully 40 per cent in Great Britain, 40 per cent in Canada, and 25 per cent in Japan.

Nevertheless, in both the United States and Canada military expenditures will be twice as much as last year—or more—as these countries press for an all-out effort. In the United States expenditures will increase from 7 per cent to 20 per cent of national income, in Canada from 22 to 40 per cent. In the other countries the percentage of national income tends to level off this year, as they are already spending at an extremely fast pace. In Japan the maximum military production has probably been obtained from available resources, thus limiting expenditures consistently to 25 per cent of national income, Mr. Henderson pointed out.

British and German expenditures in relation to national income as shown on the chart are higher than those quoted in the first paragraph. The larger British estimate of 50 per cent includes amounts financed by the sale of foreign assets or by borrowing from the dominions or the United States. The actual burden, as compared with national income, is thus roughly 10 points lower than on the chart.

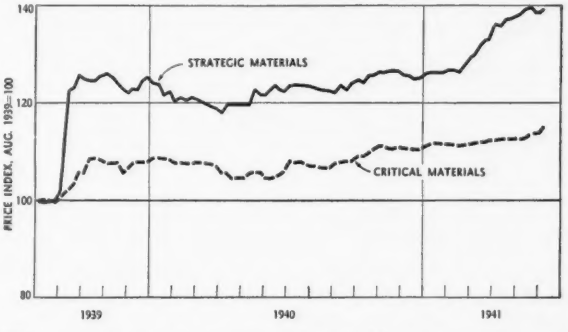
The national income figures available and used in the chart for Germany cover only the old territory, before annexation of Austria, etc., and thus expenditures for the Germany of present-day boundaries are also estimated to be fully one-tenth lower than shown on the chart.



MILITARY EXPENDITURES AS A PERCENTAGE OF NATIONAL INCOME—*Fiscal years 1935-1936—1941-1942—Office of Price Administration and Civilian Supply—In 1935 Germany was spending as much in relation to national income as the United States will spend this coming year.*

Strategic and Critical Material Prices

WITH THE GENERAL LEVEL of raw material prices 25 per cent above August 1939, prices of those materials considered of strategic importance to national defense have risen 40 per cent, those of a critical nature 15 per cent, according to the new weekly indexes of the U. S. Bureau of Labor Statistics.



WHOLESALE PRICES OF STRATEGIC AND CRITICAL MATERIALS—*August 1939 = 100—August 1939-June 1941—U. S. Bureau of Labor Statistics—Accelerated upswing in prices in the last six months accounted for one-third of the rise since the outbreak of war.*

Strategic materials, for whose supply we depend in whole or substantial part on sources outside the continental United States, have advanced much more swiftly in price than general lists, reflecting of late the ever-increasing difficulty in obtaining ships to carry the supplies. By the middle of June prices of manganese ore and mercury had more than doubled pre-war market quotations, and prices of manila fiber, ferromanganese, and chrome ore had increased anywhere from 50 to 100 per cent.

The movement of critical materials—those which are essential but less difficult to procure or more adequately available from domestic sources—has tended to follow general wholesale price levels. Largest gain came in cork, which was up more than 100 per cent above August 1939; next was wool, up 46 per cent; hides and skins up 34 per cent; and toluol (used in TNT) up 30 per cent.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

GEOGRAPHICAL DIVISIONS:	May 1941	May 1940	Per Cent Change	April 1941	Per Cent Change
New England	$9,330,958	$6,977,449	+ 33.7	$13,702,513	— 31.9
Middle Atlantic	26,852,669	26,967,809	— 0.4	30,105,685	— 10.8
South Atlantic	16,465,221	20,217,730	— 18.6	14,821,224	+ 11.1
East Central	38,216,569	30,735,989	+ 24.3	34,902,522	+ 9.5
South Central	15,424,821	13,409,648	+ 15.0	11,539,055	+ 33.7
West Central	8,208,798	6,602,069	+ 24.3	8,747,374	— 6.2
Mountain	3,395,331	3,413,468	— 0.5	3,516,341	— 3.4
Pacific	25,082,659	18,616,586	+ 39.2	24,237,061	+ 3.1
Total U. S.	$142,977,026	$126,340,748	+ 13.2	$141,671,775	+ 0.9
New York City	$12,670,360	$16,077,465	— 21.2	$17,232,159	— 26.5
Outside N. Y. C.	$130,306,666	$110,263,283	+ 18.2	$124,439,616	+ 4.7

Bank Clearings—23 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1941	1940	1939	1941	1940	1939
January	26,155	24,140	23,383	1,005.9	928.5	935.3
February	22,687	20,641	19,885	1,031.2	897.4	903.8
March	27,609	23,681	25,192	1,061.9	910.8	933.0
April	27,105	23,587	21,931	1,042.5	907.2	879.2
May	27,602	24,361	22,374	1,061.6	936.9	860.5
June	.....	21,838	23,212	....	873.5	892.8
July	.....	22,939	21,576	....	882.3	863.1
August	.....	21,046	22,782	....	779.5	843.8
September	.....	21,083	24,015	....	878.5	960.6
October	.....	25,289	22,469	....	972.7	898.8
November	.....	25,224	22,807	....	1,096.7	991.6
December	.....	27,862	26,827	....	1,114.5	1,073.1
Total	.....	281,691	276,503	....	931.5	919.6

Bank Clearings for Individual Cities

(Thousands of dollars)

	May 1941	May 1940	Per Cent Change	April 1941
Boston	1,171,434	991,712	+ 18.1	1,160,711
Philadelphia	2,237,000	1,822,000	+ 22.8	2,174,000
Buffalo	193,615	156,251	+ 23.9	173,067
Pittsburgh	730,338	576,751	+ 26.6	698,816
Cleveland	641,322	465,674	+ 37.7	602,367
Cincinnati	334,583	276,235	+ 21.1	315,044
Baltimore	424,697	349,059	+ 21.7	418,847
Richmond	209,545	174,701	+ 19.9	200,118
Atlanta	372,500	295,600	+ 26.0	345,100
New Orleans	227,723	183,285	+ 24.2	218,621
Chicago	1,679,055	1,519,259	+ 10.5	1,592,016
Detroit	747,841	497,690	+ 50.3	677,698
St. Louis	515,242	419,371	+ 22.9	463,801
Louisville	218,495	151,451	+ 44.3	198,728
Minneapolis	380,093	344,779	+ 10.2	332,335
Kansas City	515,786	423,961	+ 21.7	479,364
Omaha	158,006	132,858	+ 18.9	149,121
Dallas	301,183	242,861	+ 24.0	292,034
Houston	263,760	210,660	+ 25.2	241,364
San Francisco	710,323	635,100	+ 11.8	720,943
Portland, Ore.	199,318	162,908	+ 22.4	195,175
Seattle	234,272	175,146	+ 33.8	223,661
Total 22 Cities	12,466,131	10,207,312	+ 22.1	11,872,931
New York	15,135,513	14,153,249	+ 6.9	15,232,384
Total 23 Cities	27,601,644	24,360,561	+ 13.3	27,105,315

Dun & Bradstreet
Wholesale Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

1941		1940		1939	
July 22..	$3.16	July 23..	$2.23	July 25..	$2.14
July 15..	3.09	July 16..	2.23	July 18..	2.14
July 8..	3.09	July 9..	2.24	July 11..	2.16
July 1..	3.06	July 2..	2.24	July 4..	2.17
June 24..	3.08	June 25..	2.20	June 27..	2.18
June 17..	2.99	June 18..	2.18	June 20..	2.18
June 10..	2.97	June 11..	2.19	June 13..	2.19
June 3..	2.96	June 4..	2.19	June 6..	2.21

	High			Low	
1941..	$3.16	July	22	$2.50	Jan. 7
1940..	$2.49	Dec.	10	$2.18	June 18
1939..	$2.46	Sept.	19	$2.13	Aug. 15

Dun & Bradstreet
Daily Wholesale Price Index
30 Basic Commodities

(1930-1932 = 100)

	1941			
	July	June	May	Apr.
1	138.93	†	129.95	128.89
2	138.90	135.12	130.07	129.62
3	138.91	135.21	131.01	129.23
4	*	135.35	†	129.02
5	*	134.96	131.06	129.32
6	†	135.97	131.89	†
7	139.70	*	132.58	129.44
8	140.51	†	132.31	128.77
9	140.37	137.09	133.00	128.89
10	140.06	137.13	133.26	129.44
11	140.03	137.33	†	*
12	*	137.19	133.03	129.76
13	†	137.37	133.98	†
14	140.23	*	135.43	129.65
15	140.23	†	135.11	129.64
16	140.17	136.96	135.08	129.67
17	139.63	137.15	135.11	129.83
18	139.78	137.54	†	129.25
19	*	137.84	135.39	129.10
20	†	138.19	135.56	†
21	140.61	*	135.83	129.12
22	140.83	†	135.09	128.62
23	140.80	139.63	135.08	128.59
24	141.44	139.43	135.14	129.05
25	142.02	139.21	†	129.35
26	*	139.83	135.26	129.34
27	†	140.52	135.00	†
28	142.00	*	135.29	129.41
29	141.65	†	134.68	129.60
30	.....	138.71	*	129.86
31	.....		*	

† Sunday. * Markets closed.

	High			Low	
1941..	142.02	July	25	123.03	Feb. 17
1940..	124.84	Dec.	31	112.42	Aug. 19
1939..	124.19	Dec.	18	101.40	July 24

INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures			Current Liabilities *Thousands of dollars*			Total Liabilities *Thousands of dollars*			Dun's Insolvency Index† Unadjusted			Adjusted‡		
	1941	1940	1939	1941	1940	1939	1941	1940	1939	1941	1940	1939	1941	1940	1939
Jan.	1,124	1,237	1,567	11,888	15,279	20,790	12,535	15,805	24,860	62.2	67.1	86.0	51.8	54.6	69.9
Feb.	1,129	1,042	1,202	13,483	13,472	13,582	14,323	13,600	13,589	71.3	66.7	78.0	62.0	58.0	67.8
Mar.	1,211	1,197	1,322	13,444	11,681	19,002	14,754	12,130	19,315	62.5	62.6	72.6	61.3	61.4	71.9
Apr.	1,149	1,291	1,331	13,827	16,247	18,579	15,068	17,114	21,837	61.5	70.1	73.1	58.6	67.4	71.0
May	1,119	1,238	1,334	10,065	13,068	15,897	10,215	13,437	20,734	59.9	66.9	70.5	58.7	65.6	69.8
June	....	1,114	1,119	....	13,734	12,581	....	25,101	12,737	...	62.5	66.5	...	64.4	69.3
July	....	1,175	1,153	....	16,213	14,999	....	17,756	23,634	...	63.0	63.0	...	70.8	70.8
Aug.	....	1,128	1,126	....	12,997	12,637	....	13,223	13,092	...	60.6	61.4	...	71.3	72.2
Sept.	....	976	1,043	....	11,397	10,545	....	15,473	11,729	...	54.3	59.0	...	64.6	70.2
Oct.	....	1,111	1,234	....	12,715	17,464	....	14,236	18,119	...	61.7	67.0	....	67.1	72.8
Nov.	....	1,024	1,184	....	16,572	13,201	....	17,987	14,874	...	61.9	72.6	...	59.5	69.8
Dec.	....	1,086	1,153	....	13,309	13,243	....	14,480	14,934	...	58.0	65.0	...	57.4	64.3
Total	....	13,619	14,768	....	166,684	182,520	....	190,342	209,454	...	63.0	69.6	...	...	...

† Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD *of* INDUSTRIAL *and* COMMERCIAL FAILURES

MAY FAILURES DECLINE 3 PER CENT

INDUSTRIAL and commercial failures continued their gradual downward course through the month of May, dropping to a total of 1,119 from 1,149 in April. This 3 per cent decline followed a 5 per cent drop in the previous month. The level was 10 per cent under the 1,238 failures reported a year ago.

May liabilities were the lowest in years. They totalled $10,065,000 compared with $13,827,000 in April and $13,068,000 a year ago. This low level was approached in September 1939 when indebtedness was only $10,545,000 and again in September 1937 and October 1936 when liabilities were between nine and ten million. These latter figures, however, were on the old basis when the failure record was confined to court cases and did not cover additional withdrawals without legal formality. If it is assumed, as is likely, that comparable figures in those months would have exceeded the present figure, it is necessary to go back to the previous all-time failure low of early 1920 to find a smaller indebtedness figure.

The insolvency index, which measures the rate of failures, in that it relates the number of failures to the number of concerns in business, dropped 1.6 points from a rate of 61.5 failures in every 10,000 concerns in business in April to 59.9 in May. This decline so nearly conformed to the normal seasonal movement that the index when adjusted for seasonal variation scarcely changed, moving only from 58.6 in April to 58.7 in May. A year ago the index on the unadjusted and adjusted bases stood at 66.9 and 65.6.

Among the various industry groups there was a fair degree of conformity to the downward movement. The decline in total failures was practically "normal" at 3 per cent. Manufacturing failures with a decline of 5 per cent and wholesale trade with a decline of 7 per cent exceeded the average, while retail trade failures dropped only 1 per cent. Construction and commercial service failures were more erratic with a 10 per cent drop in the former and a 14 per cent rise in the latter.

Within manufacturing, the trend of May failures varied considerably among the different lines. Failures in foods, chemicals, and particularly in iron, steel, and machinery products were down, whereas increases occurred in textile products, clothing, and in both lumber and leather products. The increases mentioned were among small concerns, however, so that in spite of the increase in numbers, the amount of potential money losses in these lines was appreciably down from April.

In wholesale trade there was very little change from April except in food and liquor where failures were off from 46 to 34. There was a considerable re-

duction in losses over last month when a large liquor distributor went out.

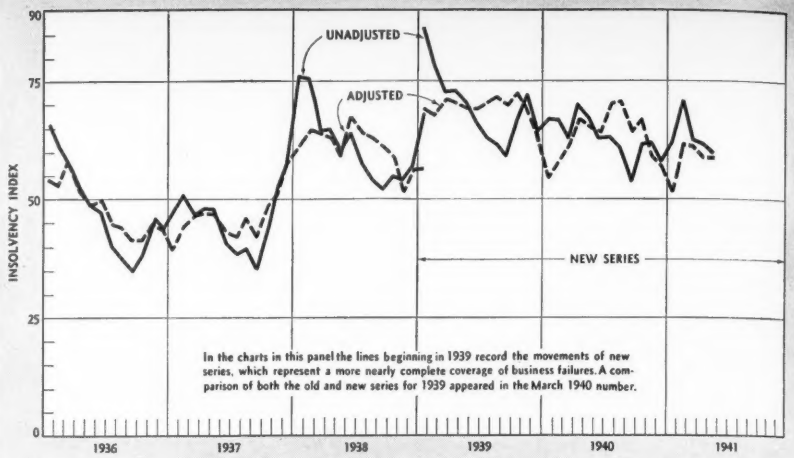
Retail trade failures, on a daily basis, have been as a whole in a moderately declining movement since February, with failures unusually steady in many of the retail lines. During May there was little change in the number of failures in general merchandise stores, restaurants, and drug stores and only a 4 per cent decline in the large food group. Some increase took place in clothing stores and hardware stores, but it was more than offset by decreases in home furnishings stores, especially electrical appliance shops, and automotive concerns. Among clothing stores, there was considerable pick-up in the number of failures among women's wear and accessory shops following last month's severe drop. However, failures of men's furnishings stores, family clothing stores, and shoe stores were down in May. Retail liabilities increased during May.

Failures were fewer in May than a year ago in all main industry groups, though down least in retail trade and most in manufacturing. Although failures in some manufacturing lines, particularly in the large food and textile groups, occurred as frequently in May as a year ago and were even higher in the stone, clay, and glass products group, in the majority of lines and particularly in iron, steel, machinery, and chemicals, they were considerably lower than in May 1940. A year ago manufacturing failures were at their peak in April and May.

Retail trade failures tend to be more numerous than a year ago. They have held up in foods, home furnishings, and drug lines and have increased in general merchandise, hardware, automotive, and restaurant lines. Only in clothing and accessory stores has there been a real decrease.

Industry Group	May 1941	May 1940	Per Cent Change
Manufacturing	181	245	—26
Wholesale Trade ..	100	120	—17
Retail Trade	735	757	— 3
Construction	63	70	—10
Commercial Service	40	46	—13
Total	1,119	1,238	—10

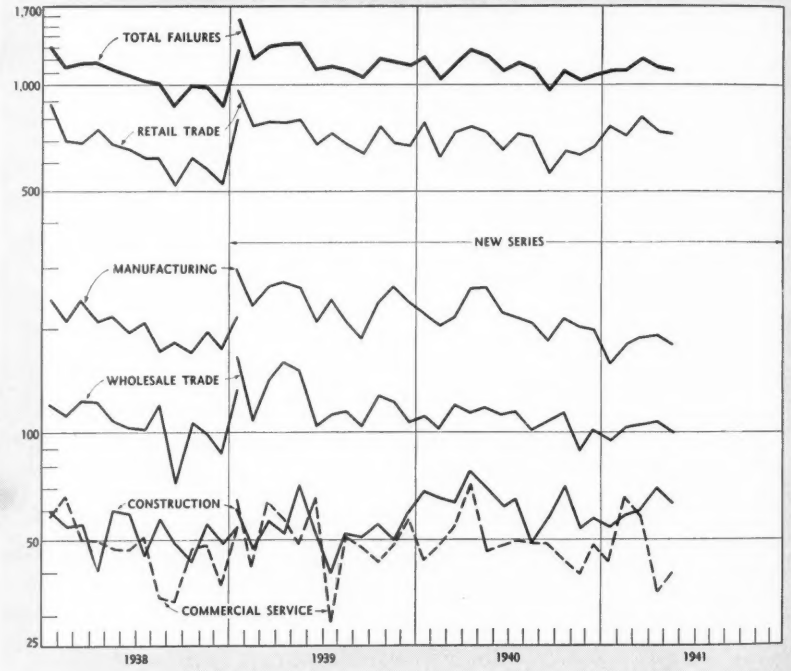
MONTHLY TREND OF THE INSOLVENCY INDEX



In the charts in this panel the lines beginning in 1939 record the movements of new series, which represent a more nearly complete coverage of business failures. A comparison of both the old and new series for 1939 appeared in the March 1940 number.

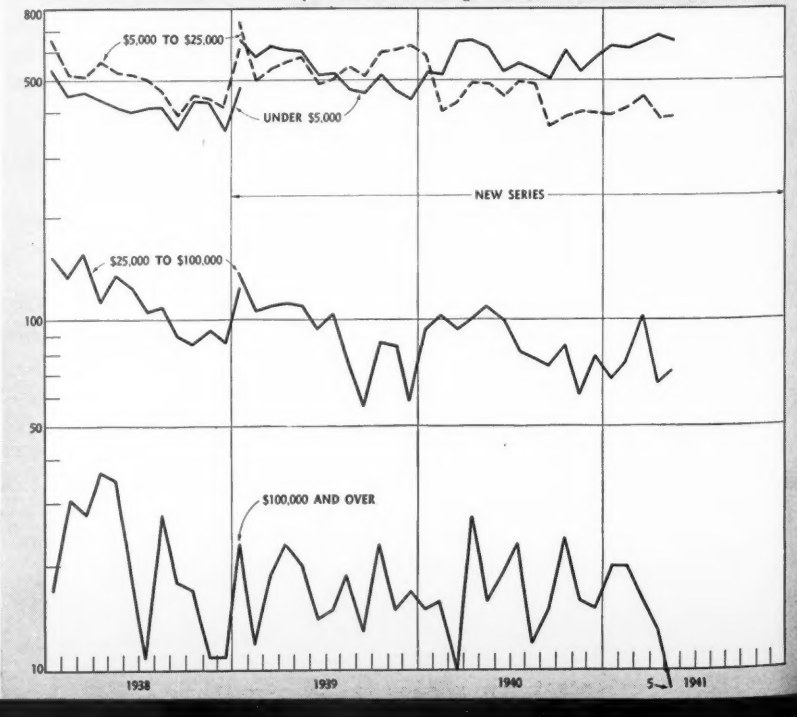
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is logarithmic)



One feature of the failure record which influences the amount of liabilities is the continually increasing proportion of very small failures. This has been especially apparent since the inclusion of voluntary discontinuances with loss to creditors. Naturally this type of failure would prevail among small concerns.

During most of 1939 the very small failures with debts under $5,000 constituted about 40 per cent of the total, but by the middle of 1940 were averaging about 47 per cent, and in April 1941 were as high as 59.6 per cent. In May this proportion dropped slightly to 58.6 per cent.

In May the number of failures with debts between $5,000 and $25,000 was unchanged from April. There was a 10 per cent increase, from 66 to 72, in the number with debts between $25,000 and $100,000. The factor, however, which so drastically affected the drop in liabilities during May was the drop in the large failures to 5. This is probably the first time that the number of large failures has dropped below 10 a month.

FAILURES BY DIVISIONS OF INDUSTRY—MAY 1941 AND 1940

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	May 1941	April 1941	May 1940	May 1941	April 1941	May 1940
TOTAL UNITED STATES	1,119	1,149	1,238	10,065	13,827	13,068
MINING AND MANUFACTURING (total)	181	191	245	2,777	4,421	4,506
*Mining—Coal, Oil, Miscellaneous	6	8	5	104	202	200
Food and Kindred Products	36	44	33	807	1,493	750
Textile Mill Products and Apparel	52	36	54	712	434	836
Lumber and Lumber Products	22	18	34	215	451	814
Paper, Printing and Publishing	14	14	27	168	240	278
Chemicals and Allied Products	4	8	14	19	103	117
Leather and Leather Products	10	4	14	110	20	214
Stone, Clay, and Glass Products	6	6	2	95	250	32
Iron and Steel, and Products	3	7	10	93	257	432
Machinery	5	13	13	119	271	206
Transportation Equipment	3	3	3	175	55	87
Miscellaneous	20	30	36	160	645	540
WHOLESALE TRADE (total)	100	108	120	963	3,743	1,646
Food and Farm Products	34	46	50	205	2,862	624
Apparel	8	7	10	86	28	100
Dry Goods	3	3	3	17	49	82
Lumber, Building Materials, Hardware	8	7	8	146	150	252
Chemicals and Drugs	6	6	4	64	43	39
Motor Vehicles and Automotive Equip.	4	4	5	27	29	55
Miscellaneous	37	35	40	418	582	494
RETAIL TRADE (total)	735	745	757	4,765	3,970	5,145
Food and Liquor	227	236	224	924	882	1,155
General Merchandise	45	43	39	262	271	295
Apparel and Accessories	121	103	174	783	569	1,258
Furniture, Home Furnishings	45	57	47	593	364	511
Lumber, Building Materials, Hardware	46	38	40	391	341	367
Automotive Group	49	58	38	435	322	159
Eating and Drinking Places	111	107	98	760	698	713
Drug Stores	47	48	44	304	248	266
Miscellaneous	44	55	53	313	275	421
CONSTRUCTION (total)	63	70	70	913	1,120	1,201
General Building Contractors	18	16	23	363	405	627
Building Sub-contractors	37	53	45	313	640	558
Other Contractors	8	1	2	237	75	16
COMMERCIAL SERVICE (total)	40	35	46	647	573	570
Passenger and Freight Trans.—Highway	7	12	22	406	266	375
Miscellaneous Public Services	..	1	1	..	65	3
Hotels	..	1	5	..	3	90
Cleaning, Dyeing, Repairing	7	4	9	73	85	58
Laundries	4	1	2	27	6	12
Undertakers	4	..	1	30	..	8
Other Personal Services	8	6	2	58	10	12
Business and Repair Services	10	10	4	53	138	12

* Subtract this item to obtain manufacturing total.

SIZE GROUP LIABILITIES	May 1941	May 1940	Per Cent Change
Under $5,000	656	617	+ 6
$5,000–$25,000	386	495	−22
$25,000–$100,000	72	110	−35
$100,000–$1,000,000	5	16	−69
Total	1,119	1,238	−10

May failures when analyzed by locality were not as uniform in trend as when classified by industry. Although they were down in seven of the twelve Federal Reserve Districts, they increased in the remaining five, in Boston, Atlanta, Philadelphia, Cleveland, and Dallas. On a daily basis, Boston and Cleveland failures have remained fairly constant since the beginning of the year; New York, St. Louis, and Kansas City failures, with a May decline, continued a downward trend of several months standing; while in Philadelphia and Dallas the current increase reversed a decline in the last two months.

FEDERAL RESERVE DISTRICTS	Jan.-May 1941	Jan.-May 1940	Per Cent Change
Atlanta	215	302	−29
Minneapolis	78	104	−25
Chicago	694	881	−21
Richmond	206	247	−17
Kansas City	220	242	− 9
New York	2,093	2,188	− 4
Philadelphia	385	394	− 2
Cleveland	327	321	+ 2
San Francisco	656	598	+10
St. Louis	192	173	+11
Boston	505	440	+15
Dallas	161	115	+40
Total	5,732	6,005	− 5

Canadian Failures

Canadian failures numbered 84 in May with liabilities of $546,000, compared with 67 in April with debts of $768,000. A year ago there were 100 failures with liabilities of $632,000. The May increase was for the most part in wholesale and retail trade.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

WON—*In the "$250,000 and under" classification, the Klamath River Bridge, Orleans, Cal., was selected as 1940's most beautiful by a jury of the American Institute of Steel Construction.*

Quality Control—A method for controlling the quality of manufactured products and for actively maintaining an on-the-spot control which warns the manufacturer in advance of possible trouble has been approved as an American Defense Emergency Standard by the American Standards Association.

Two standards covering application of statistical methods to control of quality were approved in May. One is *Guide for Quality Control,* the other is *Control Chart Method of Analyzing Data.* The standards can be applied in a plant by the regular quality control engineer. They were drawn up at the request of the War Department.

In addition to showing whether control is being maintained and thereafter helping maintain it, the statistical method of quality control is expected to speed purchasing, since the chart of a supplier who regularly maintains control may serve as proof of reliable control of his product. The purchaser can then replace sampling and inspection of each shipment by an occasional check test, which may mean a considerable saving on cost of inspection.

Sigma—The statistical method of quality control is based on the use of two control limits placed on a control chart. These limits fall within those which the manufacturer is required to meet. They are computed from quality measurements taken on samples of the product. A separate chart is kept for each quality characteristic, such as the tensile strength of a steel, the purity of a chemical, or the dimension of a part for an airplane engine.

While production is going on, samples are regularly inspected and points, based on quality measurement, are plotted on the chart. If such points fall inside the control limits, the manufacturer may assume his production process is "under control," that, in other words, there is no sign of disturbances in the process that will impair the quality of his product.

However, if a plotted point falls outside the control limits, this is a warning signal; the manufacturer should look for possible trouble and cure it before the quality of the product is affected, that is—before the product must be rejected because it has exceeded its manufacturing limits.

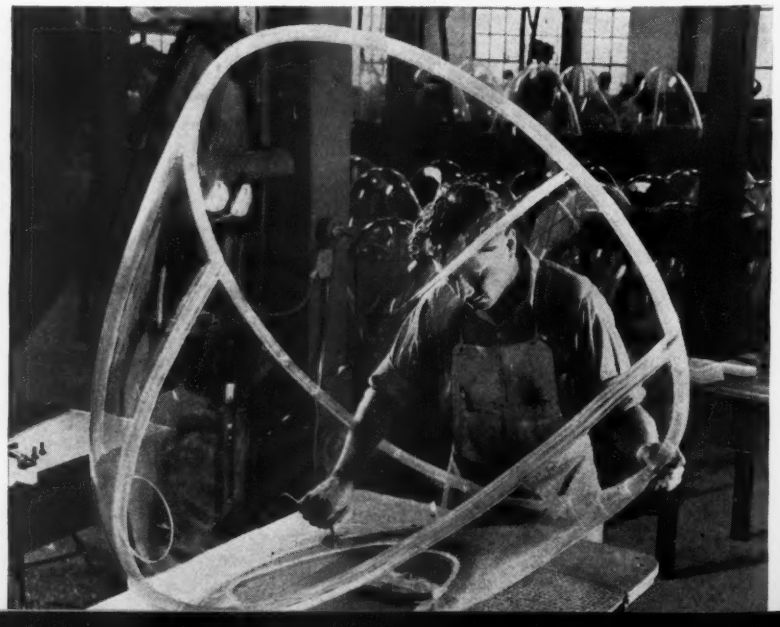
Computation of the control limits, or their placing on the chart by means of tables, is a simple matter requiring no special knowledge of statistics. Once the quality measurements have been taken, the only computations necessary for setting up and maintaining the chart are calculation of averages and of "sigma," a number found by a mathematical formula familiar to statisticians and involving squaring of numbers, addition, division, and extraction of a square root.

Tires—Containing a rubber compound with a million times the electrical conductivity of ordinary rubber, a special line of industrial tires has been developed for use in manufacturing plants where static electricity constitutes a fire and explosion hazard. The B. F. Goodrich Company, Akron, Ohio, calls them Conductor Industrial Tires.

June (Pink)—June is pink, July sky blue, and August deep green; so at least according to the color research department of Eagle Printing Ink Company, a division of General Printing Ink Corporation, New York. And if you name any other month, or any holiday, college degree, birthstone, or season, the research department can tell you right off what color goes with it.

On the more practical premises of color used in business, the ink company also has some information. A survey titled "What are the best selling colors?" indicates color preferences in

TRIM NOSE—*In Roehm & Haas Company plants, Los Angeles or Philadelphia, workmen trim the big Plexiglas noses for bomber planes. Formed warm over molds, the plastic is plate-glass clear, lightweight, and impervious to desert sun or northern cold.*



WORLD CHAMPION

MISS MARGARET HAMMA, operating an IBM Electromatic Typewriter, established a new professional world's record of 149 words per minute for one hour.

The first half-hour of this performance won for her the amateur championship. ✩ These records were made in competition with 8 other professional contestants and 44 other amateur contestants from various parts of the United States and Canada. ✩ The competition was held under the auspices of the Ninth Annual International Commercial Schools Contest in Chicago, on June 19 and 20, 1941.

INTERNATIONAL BUSINESS MACHINES CORPORATION

many products, paint, plastics, bed sheets, and plumbing fixtures.

Among conclusions, summarizations, and recommendations based on the survey, Eagle Printing Ink Company finds that low cost, big selling items should appear in bright, simple colors. Manufacturers of expensive commodities are urged to study allied fields; rugs, for instance, harmonize with and are affected by preferences in wallpaper and paints.

A manufacturer may need to feature different hues in different parts of the country. (On the West Coast men prefer light gray and light tan hats; on the East Coast they buy deep browns and deep grays.)

So from now on all calendar printers, greeting card writers, plumbers, and Mother Nature: Labor Day is blue; September orange or gold; and bathroom fixtures in ivory outsell those in jade green.

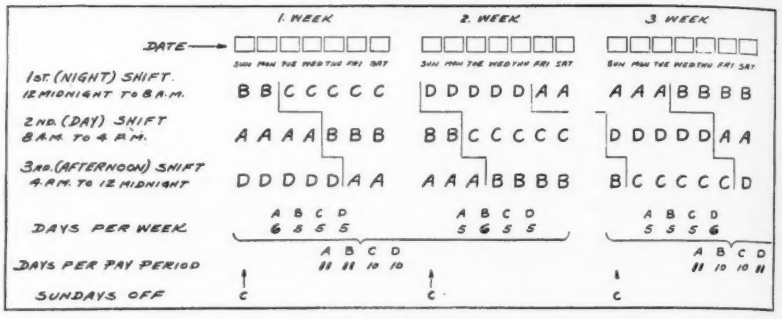
Tagged Atoms—Irregular sounds made by something no one can see, clickings signalling the presence of a radioactive atom in a man's thyroid gland, or perhaps in the heart of a silver block are being measured by physicists exploring one of science's newest frontiers.

The instrument for this measurement is called a Geiger counter. It consists of a special glass vacuum tube attached to radio tubes, amplifiers, relays, and meters. Until recently the Geiger counters were custom-made devices and only a few were in use. Today, however, Westinghouse Electric & Manufacturing Company, Pittsburgh, Pa., is undertaking to manufacture them in quantities, using a compact design evolved from a study of the earlier variations.

The Geiger counter counts tagged atoms, atoms tagged by exposure to the ionic beam of a cyclotron, which makes them radioactive for a short period. During this time, the atom sends out radiation similar to that from radium. These rays are registered in the counter by a series of clicks.

Thus iodine as it is assimilated by the thyroid gland, salt as it passes from seasoning to tears, or silver plating as it sinks into the metal, can be traced and the time of these happenings recorded.

Present use of tagged atoms has been chiefly in the biological laboratory. According to the *Industrial Bulletin* of Arthur D. Little, Inc., however, industrial research laboratories are investigating use of tagged atoms to follow the rate of diffusion of metal atoms in alloys, to study the creep and flow of metals, and to identify trade-marked products. One radioactive carbon is said to give off the rays for several years.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3rd. (AFTERNOON) SHIFT 4 P.M. TO 12 MIDNIGHT
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TIMKEN—*An "anti-black-out schedule" keeps the Timken Roller Bearing Company plant at Canton, Ohio, in operation every hour in the week. Above appears the schedule for its first three weeks. The letters represent four crews, each of which works five days in a row, then is off at least 48 hours, after which the crew changes shifts. The schedule runs for twenty weeks, then is repeated. Each crew has five consecutive Sundays off.*

Wage Rate—Among "extra compensation" plans reported in a recent study of wage adjustment problems were twelve which are definitely geared to rate of production or to selling price. They were described in *Problems in Wage Adjustment,* a report for members of the National Industrial Conference Board, Inc., New York.

In one, an agreement between a paper products company and a union, a 5 per cent rise or fall in average selling prices of the various products is the signal for union-management negotiations regarding adjustment of wages in proportion to movement of the price average. (This average is weighted according to the proportion of volume of business done on each item.)

If the company requests wage negotiations on the basis of a decrease in prices, it must produce evidence showing the price decrease is due to competitive industry conditions beyond the firm's control, rather than to a voluntary decrease to build up sales volume.

Other extra compensation plans briefed in the report include the arrangement made by a steel casting company. By this, units of product shipped are the measuring stick; in one plant, steel windows, in another, a ton of springs, a square of roof deck in a third. Before starting to compute extra compensation, the company determined the production level at which, based upon past experience, there should be a profit it would be willing to share.

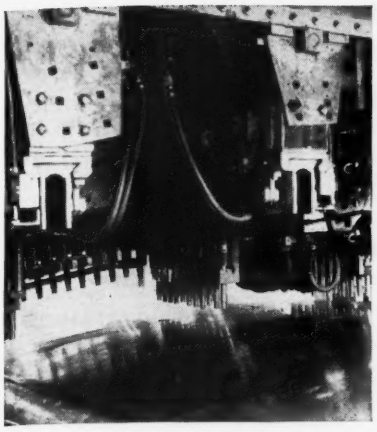
DUPLICARD—*Inexpensive postcard duplicator; production speed of 1,000 cards an hour; molded from GE plastics for Pac Manufacturing Corp., Terre Haute, Ind.*

Timken—Four crews handling three shifts on a careful schedule give the Timken Roller Bearing Company, Canton, Ohio, uninterrupted production for 24 hours a day, seven days a week.

Each crew works five days in a row, then is off at least 48 hours, after which it changes shifts, morning to afternoon, afternoon to night, night to morning. During every twenty-week period, each crew has five consecutive Sundays off. The shift schedule runs twenty weeks and then repeats.

Working in three shifts, eight hours a day, 40 hours a week, the four crews bring the plant's working time to 160 hours of a possible 168 in the week. The lacking eight hours (one shift) are made up by overtime, each crew during the twenty-week period working five extra shifts.

Men are paid every two weeks. Over



BIG WELDER—*Using control and motors from Westinghouse Electric & Manufacturing Company, Pittsburgh, the American Car & Foundry Company, N. Y., now welds the entire side of a steel freight or passenger car on a single machine.*

each twenty-week period, every crew has five pay days with ten days' pay and five pay days with eleven days' pay including the overtime.

Subcontract Flicker—To publicize and emphasize the value of subcontracting, the Office of Production Management has recently issued seven one-reel sound motion pictures which show some of the subcontracting work in various industries and tell about the Defense Contract service. Prints are available from the Motion Picture Committee Co-operating for National Defense; from the Motion Picture Unit, Office of Emergency Management; and from the Defense Contract Service. Some educational film libraries also have them.

Savings Plan—More than half the 4,500 employees of General Time Instruments Corporation, New York, and its divisions have signed up for a Defense Savings Bond purchase plan sponsored by the company. Pay rates throughout the corporation were raised. Employees were urged to devote all or part of the increase to purchase of the bonds or stamps.

The Corporation agreed, as an incentive to prevent cashing in of the bonds, that it will pay 10 per cent of their cost if held in its custody up to maturity. Participating employees authorize it to deduct amounts up to 7 per cent of their normal earnings. In the event of termination of service, his bonds are turned over to the employee.

THE NATIONAL CITY BANK
OF NEW YORK

Head Office · 55 WALL STREET · *New York*

Condensed Statement of Condition as of June 30, 1941

(In Dollars)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers	$1,030,259,008
United States Government Obligations (Direct or Fully Guaranteed)	1,148,145,869
Obligations of Other Federal Agencies	50,725,633
State and Municipal Securities	179,531,021
Other Securities	66,033,697
Loans, Discounts and Bankers' Acceptances	603,571,042
Real Estate Loans and Securities	6,791,688
Customers' Liability for Acceptances	8,544,513
Stock in Federal Reserve Bank	4,260,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	40,227,751
Other Real Estate	156,622
Other Assets	628,999
Total	$3,145,875,843

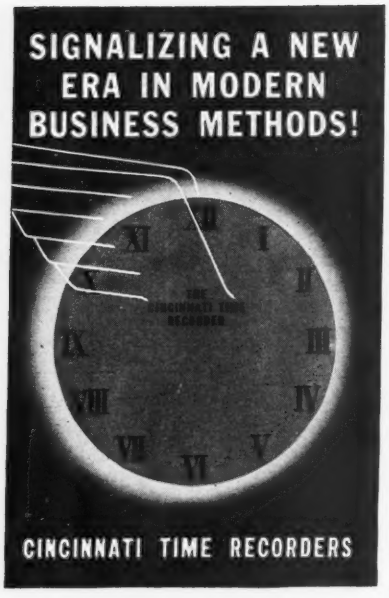
LIABILITIES

Deposits		$2,934,824,738
Liability on Acceptances and Bills	$18,275,697	
Less: Own Acceptances in Portfolio	6,895,402	11,380,295
Items in Transit with Branches		25,297,158
Reserves for:		
Unearned Discount and Other Unearned Income		4,066,655
Interest, Taxes, Other Accrued Expenses, etc.		7,606,197
Dividend		3,100,000
Capital	$77,500,000	
Surplus	65,500,000	
Undivided Profits	16,600,800	159,600,800
Total		$3,145,875,843

Figures of Foreign Branches are as of June 25, 1941.

$77,135,911 of United States Government Obligations and $14,177,264 of other assets are deposited to secure $57,963,996 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)



Precision builders of Time Recording and Signalling Devices for almost half a century. Today, many of the world's foremost manufacturers look to CTR for the last word in Time Accounting equipment.

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The
CINCINNATI TIME RECORDER CO.
CINCINNATI, OHIO

BRANCH OFFICES IN PRINCIPAL CITIES

Why Reach Executive Management?

Faster access to prospects and more stable relations with customers can be achieved by establishing intimate contact *with management executives.* When you reach men with authority, *you get quick action.*

DUN'S REVIEW provides the necessary *contact with the top executives* your salesmen are unable to reach.

Advertising to them through DUN'S REVIEW is particularly effective for both good-will and for inquiries. The magazine has brought unusual *results* to advertisers. 95 companies answered *a Photo Record Company* advertisement within 17 days. 87 Executives replied to the first R. A. Company *advertisement and more than 600 have* inquired since. 16 replies to the Flett Corporation advertisement brought two orders amounting to over $25,000. One $45 advertisement brought $10,200 *in orders to the Duophoto Corporation.*

Complete circulation breakdown, detailed facts and evidence will be sent on request. Address: DUN'S REVIEW, 290 Broadway, New York, N. Y.

Noise— Investigators have compared work of two groups of weavers, one in a room of average noisiness, others in a room where noises had been muffled. The workers in the quiet room did 8 per cent better than the others.

In a room occupied by 42 workers the Western Union Telegraph Company found that noise abatement brought a 42 per cent decrease in errors. Rike-Kumler Company, Dayton, Ohio, department store, obtained a 24 per cent decrease in errors of typists and bookkeepers after an acoustical treatment muffled noise.

In the control room of the Aetna Life Insurance Company a more quiet atmosphere was accompanied by a 29 per cent decrease in typing errors, a 52 per cent decrease in comptometer operator's mistakes. Bell Telephone Laboratories believes that noise which reduces the efficiency of an average worker by 5 per cent decreases the efficiency of an executive's mental output by 30 per cent.

All this on the authority of the National Noise Abatement Council, an organization started by companies whose products muffle or abate office clatter. The council points out that a reduction of 8 per cent in productive efficiency for 2,000,000 workers, each earning $15 a week, represents an annual cost of more than $120,000,000.

Tape—A fiber glass adhesive tape has been announced by the Industrial Tape Corporation, New Brunswick, N. J. It is manufactured in rolls 40 inches wide and cut to width as desired. It is non-conducting, strong, and non-absorbent.

Piper—This Spring a sign was posted in the Purchasing Department of Piper Aircraft Corporation, Lock Haven, Pa., "To all Salesmen: why didn't you fly here?" And at the drop of an altimeter, Piper officials echo, "Until our suppliers send their men to the Cub factory in their own planes, we know we are paying too much for selling expenses." The company has four factory representatives who wing over the entire United States.

FINDING MEN *for* DEFENSE JOBS

(Continued from page 10)

part of the labor market. Alien workers excluded by law from certain types of defense employment have been placed in other defense jobs in order *to release citizen workers for the excluded* employment. Negroes have been placed in plants never before employing such workers. Women for whom employment opportunities were *heretofore* restricted are being extensively used in many occupations. Highly *skilled workers in jobs not fully* using their skills are being transferred to new employment and frequently to new employers without sacrifice of seniority and other rights. The vacan*cies thus created by the transfers* are filled through the Employment Service *with less skilled workers.*

Counseling

Employer counseling is becoming an increasingly important part of Employ*ment Service activity.* A representative of the Service, armed with abundant *information on the labor market situa*tion in an area, is able to sit down with the employer and explain the relation of his demand for workers to the total demand and supply in the area. Assistance is rendered in analyzing jobs and breaking down operations so they *may be performed by less skilled work*ers and those trained in defense train*ing courses. If the employer desires,* the Employment Service will obtain for him from the *Training-Within-*Industry Service of the Office of Production Management advice and as*sistance in ways to use his existing staff* more adequately.

*In order to assure regional co-ordina*tion of the work of the Employment Service, the Bureau of Employment Security has recently appointed twelve Regional Labor Supply Officers. These *Regional Labor Supply Officers* have been designated by the Labor Supply *Branch of the Office of Production* Management to act as Chairmen of twelve Regional Labor Supply *Committees* established by that agency. These regional committees will include, *in addition to the Regional* Labor Supply Officer, representatives of the *United States Civil Service Commis-*

sion, Training-Within-Industry Service of the Office of Production Management, Federal Committee on Apprenticeship of the Department of Labor, United States Office of Education, and National Youth Administration of the Federal Security Agency, with representatives of labor and management.

It will be the responsibility of these committees to deal collectively with the problems of labor recruitment, training, and placement, and see that all the facilities of Government, labor and industry are brought to bear on the problem of assuring an adequate supply of workers to man the expanding defense program. This new organization should better co-ordinate all labor supply facilities in each community so that when one employer discusses his labor needs with the local employment office, he can be assured that through the one contact he is automatically invoking all the assistance available.

WALL PAPER RATIOS

(Continued from page 24)

groups. A partial explanation can be found in the figures for Annual Sales per Salesman. Obviously a salesman calling on industrial, maintenance, and real estate accounts, or waiting in the retail department for a customer to walk in, cannot hope to obtain the volume reached by a salesman calling on retailers or even the sales made by a store salesman serving paperhangers, contractors, and painters.

Marked variations appear in the use of sample books and the amount of money spent on them. Sample books are much used by the wall paper trade and are an important weapon of marketing competition. Manufacturers make up considerable quantities each season, which they sell at cost to wholesalers, retailers, and paperhangers. Wholesalers, for their part, use the sample books in their display rooms and in their salesmen's brief cases, and distribute a considerable number free to their more important customers. Some of the larger wholesalers use so many that they find it advisable to make up their own books from sample rolls purchased from manufacturers.

The greatest sample book expense is found in the groups selling mostly to

GOOD BUSINESS NEWS

OPEN ACCOUNT FINANCING ELIMINATES MONTHS OF DELAY

Study Shows Receivables Most Satisfactory Source of Working Capital

A review of the methods of financing used over five years led C. J. BEEKMAN*, treasurer of the INTERSTATE CORPORATION*, to rely mainly on Commercial Credit Company's OPEN ACCOUNT service for current financing.

In a statement of interest to fiscal officers, Mr. Beekman says: "With respect to the time factor in arranging for financing, it is important to note that one source of current financing required about sixty days to consummate. Another required between three and four months. This involved registration with the S.E.C., and all the problems incident to the floating of securities for sale to the public.

"Against these two experiences is the one in which we called in Commercial Credit Company to arrange for current financing. This was consummated in about *two weeks*.

"There is little doubt but that the question of time necessary to arrange proper financing plays a vital part in business . . . Commercial Credit Company is to be complimented on its ability to make a practical survey of the needs of a business and arrive at a practical working arrangement with respect to its financial requirements."

Our resources, available for capital loans or current financing, include $63,000,000 of capital and $30,000,000 of long-time money. We provide cash against inventory or receivables, in *any* needed amount, *at a fixed rate over a specified period.* The only limit is the amount of actual business you can do. If interested in getting further information, write for "CAPITAL at WORK", and "COMPARATIVE COSTS OF FINANCING" Address Dept. DR.

* *A fictitious name but the facts and figures taken from our files can be verified.*

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO LOS ANGELES PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN $60,000,000

Dear Mom:

Well, here it is another weekend and I'm not a General yet. But give me time.

Matter of fact, I have too much time on my hands—on evenings and weekends.

The nearest village is 5 miles away. All you find there is a general store, a garage and a canning factory—nowhere to go for any good clean fun, unless you drop in at a smoke-filled juke joint on the way.

Well, Mom, there's a big favor you can do me. The U. S. O. is trying to raise $10,765,000 to run clubs for us, outside of camp. Places with lounge rooms, dance floors, games, writing rooms. Places you can get a bite to eat without paying a king's ransom.

I know you don't have an idle million lying around, but if you could get the family interested and some of the neighbors, and if that happened all over the country, the U. S. O. could raise $10,765,000 overnight.

I'd appreciate it a lot, Mom, and so would every other mother's son in the U. S. Army and Navy.

Love,
Bill

They're doing their bit for you. Will you do your bit for them? Send your contribution to your local U. S. O. Committee or to U. S. O. National Headquarters, Empire State Building, New York, N. Y.

. . .

These organizations have joined forces to form the U.S.O.: the Y.M.C.A., National Catholic Community Service, Salvation Army, Y.W.C.A., Jewish Welfare Board, National Travelers Aid Association.

OPEN YOUR HEART
OPEN YOUR PURSE
GIVE TO THE
U★S★O★

dealers and to paperhangers, contractors and painters, as indicated by the rate of sample book cost to Net Sales. On the other hand, the greatest sales return per set of sample books was secured by wholesalers making most of their sales to retailers.

For certain of the sets of ratios, figures were compiled to show the limits between which the middle half of the concerns in a particular group operate (table I). Range figures are helpful in pointing out how important a departure from the typical may be. A one-point deviation is far less significant in an item in which the limits are far apart than it is where the range of usual experience has a narrow spread.

Range figures are also helpful in that they provide both "goals" and danger zones. In the case of Gross Margin, the upper limit might well be considered par for the course, and not too difficult a mark, since one-quarter of the contributing companies reported margins that high or higher. The lower limit, on the other hand, represents a margin lower than that obtained by three-quarters of all the concerns in the sample, and suggests the need of a few lessons from the clubhouse "pro."

Profit Goal

In the case of Total Expense and the individual expense items, par is represented by the lower limits, with the areas on the other side of the typical figures representing the scores turned in by dubs and duffers. Profits above the typical were earned by half of the wholesalers in the sample; profits above the upper limit were made by one-quarter of them. The upper limit for profits, therefore, should be a reasonable "goal," since in 1939 it was reached or exceeded by 25 per cent of the reporting companies.

The same type of reasoning applies to the other range figures, except for the "turnover" ratios. Like a sick man's pulse, an inventory turnover that is either too rapid or too slow may be a symptom of several ills. An abnormally high turnover rate may be associated with high merchandise costs because hand-to-mouth buying has been carried to an extreme, depriving the wholesaler of the manufacturer's bottom prices. More usually, however, too slow and not too fast a turnover is a symptom of merchandising ailments.

In either case, the range of usual experience suggests limits within which inventory turnover may wisely be kept.

Similarly, too rapid a turnover of Working Capital and of Net Worth may indicate that a wholesaler is operating on too big a scale for his investment and may encounter trouble if conditions take a sudden downward turn. Too slow a turnover rate, on the other hand, may mean that the financial resources of the enterprise are not being put to full and efficient use. For these ratios also, the range of usual experience marks out an area of normal operation, and turnover rates outside the limits should be carefully scrutinized.

Survey Values

Are standards such as these guaranteed to fit out each wholesaler with a set of matched expense ratios guaranteed to improve his business game? Since the answer is obviously "No," how can the wholesaler, or the manufacturer called in as consultant, put them to effective use?

The computation of a few percentages and their comparison with the survey averages will by no means yield rules-of-thumb to replace the sound judgment by which a successful business is guided. But a knowledge of the recent experience of other concerns in the same trade, operating under similar circumstances, is of great assistance in making decisions and in following them through with the confidence that they are sound decisions. Furthermore, a study of the survey figures may confirm a previous suspicion as to the effectiveness of particular merchandising, personnel, advertising, or credit policies, lending the courage of conviction to make profitable changes.

A survey based, as this one is, on the experience of 70 concerns cannot hope to give final and foolproof answers to all questions of merchandising and operating policy, and it cannot be guaranteed to make every wholesale enterprise an outstanding success over night. It can, however, bring the careful user somewhat nearer the ultimate standard by which each business enterprise might be measured—the standard of what could be earned under ideal conditions if everyone in the enterprise worked hard all the time and used his head all the time.

STOP and consider the advantages of raising the money you need on INVENTORY

GO to your banker for a quick loan on favorable terms

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Comes to your available inventory wherever it may be—warehouses it under legal Field Warehousing procedure. Issues Warehouse Receipts, which banks gladly accept as gilt-edged collateral.

It's all done quickly and orderly. No moving of your inventory. No delays in production. No red tape. And the funds you need supplied in a most satisfactory manner.

Hundreds of leading bankers work with Douglas-Guardian. We've had over 18 years specialized experience. . . financially strong . . . well-operated . . . highest references . . . nation-wide service rendered from the 16 offices mentioned below.

This photo happens to picture olives

Similar barrels might contain pickles, molasses, syrup, wines, whiskey, or other commodities. Almost any non-perishable inventory is logical for field warehousing. For example:

Canned Goods	Coal	Feeds	Malt	Sugar
Cotton	Furniture	Hides	Petroleum	Textiles
Clothing	Grain	Lumber	Seeds	Wool

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Easton, Md.	San Francisco, Cal.
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Memphis, Tenn.	Springfield, Mass.
New York, N. Y.	Tampa, Fla.

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( ) We accept your offer to supply helpful information on getting loan based on Field Warehousing.

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Address.....

For attention of.....

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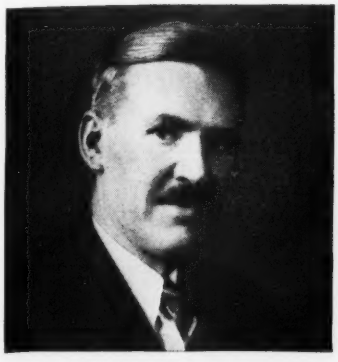
Ask your nearest DUN & BRADSTREET office for information on the State Pocket Books covering your salesmen's territories and you will receive complete data promptly.

DUN & BRADSTREET, INC.

1841 - The Mercantile Agency - 1941

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING NEXT MONTH



COLLIS STOCKING

Born in Clarendon, Tex., Collis Stocking (page 5) was evidently one of those who believe in seeing what lies over the hill, for he moved in undergraduate days through the halls of four colleges: University of Kansas, University of Pittsburgh, Dijon University in Paris, and Columbia University.

Following graduate work in economics at Columbia, he exposed his diminished Texas accent briefly to that of New England, becoming in 1926 Assistant Professor of Economics at the University of Vermont. A year later he transferred to the faculty of the School of Commerce, Accounts, and Finance, New York University. While there he collaborated in writing a text on *Economic Principles and Problems.*

In 1934 Mr. Stocking worked for several months with the Research and Planning Bureau of the NRA. After this he became Assistant Chief of the Division of Foreign Trade Statistics, U. S. Department of Commerce.

Since 1936 Mr. Stocking has been Chief of the Research and Statistics Division, Bureau of Employment Security, Social Security Board. He is also a member of the Labor Supply Branch, Office of Production Management.

Dr. Julius Hirsch (page 11) was head of Germany's Price Control Board during the latter part of the World War. He was at that time a professor at the University of Cologne.

In 1919 he became Under-Secretary, later State Secretary for Economics. His posts in the following decade included the German Cartel Court and the Enquiry Committee of the Reichstag and Reich's Economic Council. He wrote a memorandum on international monopolies for the League of Nations and a study on international comparisons of standard distribution figures for the International Chamber of Commerce.

DR. JULIUS HIRSCH

In 1933 Dr. Hirsch had to leave Germany, taking a professorship in Denmark. Early this year he left there, coming to the United States by way of Russia and Japan. At present he lectures on business economics in New York City.

DUN'S REVIEW

290 BROADWAY NEW YORK, N. Y.

Subscription: $4 a year; $10 for three years; 35 cents a copy. Outside U. S. $5 a year.

Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager;* Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors;* J. A. D'Andrea, *Statistician;* Clarence Switzer, *Art Director;* H. C. Daych, *Advertising Manager.*

Dun's Review goes to each company using the services of Dun & Bradstreet, Inc. Service subscribers may obtain additional subscriptions to the magazine for executives, branches, and so on, at special rates. . . . Published monthly. July, 1941, Vol. 49, No. 2159. . . . The contents of this magazine are indexed in the Industrial Arts Index. . . . Member C.C.A. . . . Copyright 1941, Dun & Bradstreet, Inc.

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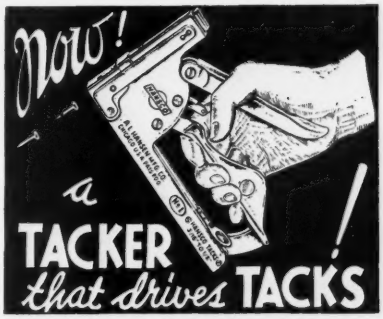

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First of its kind to drive tacks, this unique device drives fast as you grip into hardest woods, thru thin metal or tin. Replaces ordinary tacks, brads and glue. Executives—plant superintendents—investigate!

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GENDREAU

IN these days of 7-edition daily newspapers, hourly radio news broadcasts, daily market letters and the like, we feel dominated by rapid variation and change. Add battles, bombings, and sudden death and there seems to be no stability or security.

It is true that our tempo is vastly different from that of the Middle Ages, when a son followed in his father's footsteps, used the same tools, ate the same foods, and wore the same clothes. But, nevertheless, it is comforting to realize how much has survived out of the past. . . . the Bible, Abraham Lincoln, Beethoven, the Liberty Bell, Harvard University, the Law of Equity—a long, long list.[1]

There is stability in this unstable world, in large part the result of the ties which bind us to the past.

[1] Add DUN & BRADSTREET, INC., now over 100 years old.

Willard L. Thorp.

EDITOR